

*The Symbol of Reinsurance Service  
and Security Worldwide*



**Kenya Re**

**KENYA REINSURANCE CORPORATION LIMITED**

## OUR CORPORATE VISION

To be a world class reinsurer and market leader in Africa offering quality reinsurance and ancillary services.

## OUR CORPORATE MISSION

Be customer-focused and committed to growth, profitability and satisfactory returns to our shareholders through professionalism and use of modern technology.

Continue to attract, develop and retain a pool of qualified and experienced staff so as to maintain our competitive edge.

Be socially responsible and environmentally conscious by observing high ethical standards in our business practices.

## OUR VALUES

Kenya Re pledges that all organizational activities and decisions will be based on and guided by the following values:

- Commitment to professionalism
- Customer satisfaction
- Quality service
- Integrity
- Development of human resource
- Social responsibility
- Concern for the environment

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## MEMBERS OF THE BOARD OF DIRECTORS

Nelius Kariuki	- Chairman
Jadiah Mwarania	- Managing Director - Acting
J. K. Kinyua	- Permanent Secretary, Treasury
Mutua Kilaka	- Alternate to J. K. Kinyua
Jacob Haji Ali	- Member
Dr. Iruki Kailemia	- Member
Everest Lenjo	- Member
Mutwiri Ikiao	- Member
Gladys M. Mboya	- Member
Nelson Kuria	- Member
Felix Okatch	- Member

## SECRETARY TO THE BOARD

Habil Waswani  
Registration No. R/CPS B/1650  
Certified Public Secretary (Kenya)  
Kenya Reinsurance Corporation Ltd  
Reinsurance Plaza, Taifa Road  
P. O. Box 30271  
00100 Nairobi

## REGISTERED OFFICE

Reinsurance Plaza  
Taifa Road  
P. O. Box 30271  
00100 Nairobi

## AUDITORS

Controller and Auditor General  
Certified Public Accountant (Kenya)  
P. O. Box 30084  
00100 Nairobi

## CONSULTING ACTUARIES

Alexander Forbes Financial Services (East Africa) Limited  
10th Floor, Landmark Plaza  
Argwings Kodhek Road  
P. O. Box 52439  
00200 Nairobi

## ADVOCATES

Kantai & Company Advocates  
Bruce House, 8th Floor  
Standard Street  
P.O Box 34247-00100  
Nairobi

Mwaura & Wachira Advocates  
Furaha House Apartments No.  
Off Argwings Kodhek Road  
P.O Box 51667-00200  
Nairobi

M.A. Otega & Company Advocates  
Anniversary Towers  
Mezzanine 2, South Tower  
University Way  
P.O. Box 46630-00100  
Nairobi

Shiganga & Company Advocates  
Agip House, Entrance B  
6th Floor Suite No.10  
Haile Selassie Avenue  
P.O Box 48270-00100  
Nairobi

Otieno Ragot & Company Advocates  
P.O Box 3051/1883-40100  
Kisumu

Igeria & Ngugi Advocates  
Hughes Building  
5th Floor Kenyatta Avenue  
Nairobi

Wasuna & Company Advocates  
National Bank Building  
2nd Floor Harambee Avenue  
P.O Box 34992-00100  
Nairobi

Mose, Mose Milimo Advocates  
Comcraft House 3rd Floor  
Haile Selassie Avenue  
P.O. Box 9403-00200  
Nairobi

## Corporate Information (continued)

### BANKERS

Kenya Commercial Bank Limited  
Moi Avenue  
P. O. Box 30081  
Nairobi

National Bank of Kenya Limited  
Harambee Avenue  
P.O. Box 41862  
00100 Nairobi

Bank of Africa Kenya Limited  
Reinsurance Plaza, Taifa Road  
P.O. Box 69562  
00400 Nairobi

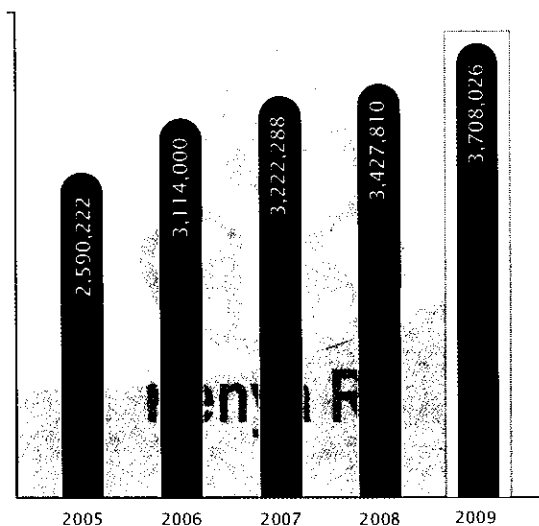
Citibank N.A  
Citibank House, Upper Hill  
P. O. Box 30711  
00100 Nairobi

Lloyds TSB Bank PLC  
Fenchurch Street Branch  
72 Fenchurch Street  
London  
EC3 3EH, United Kingdom

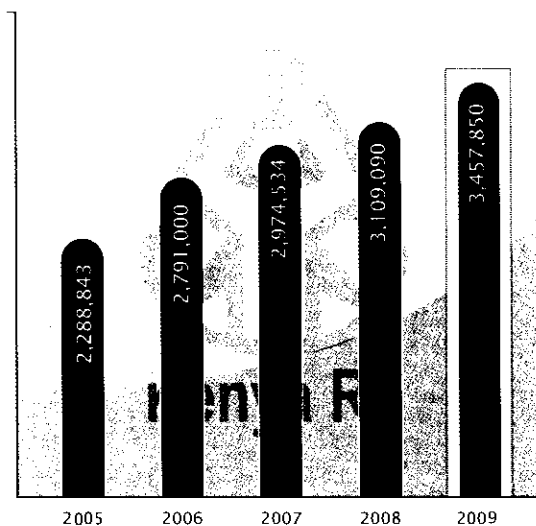
Commercial Bank of Africa Ltd  
Mara & Ragati Roads, Upper hill  
P.O. Box 30437  
00100 Nairobi

# Five Year Performance Analysis

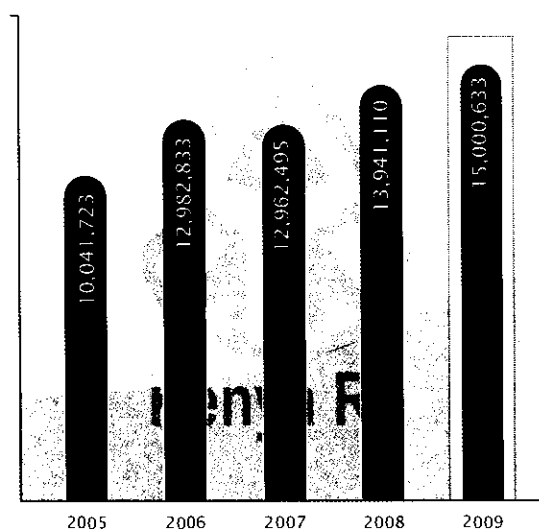
**GROSS PREMIUM WRITTEN**  
IN KSHS '000



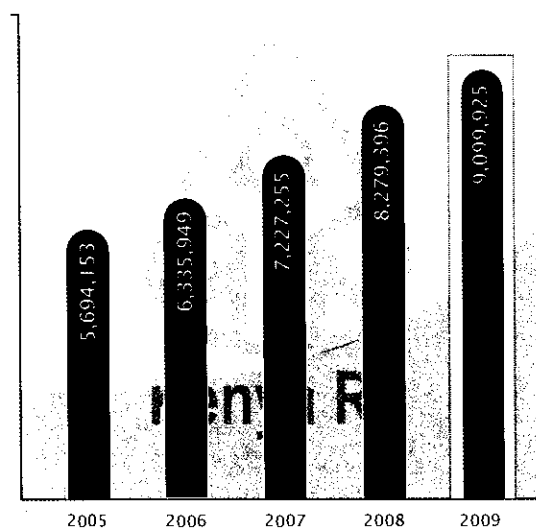
**NET PREMIUMS WRITTEN**  
IN KSHS '000



**TOTAL ASSETS**  
IN KSHS '000

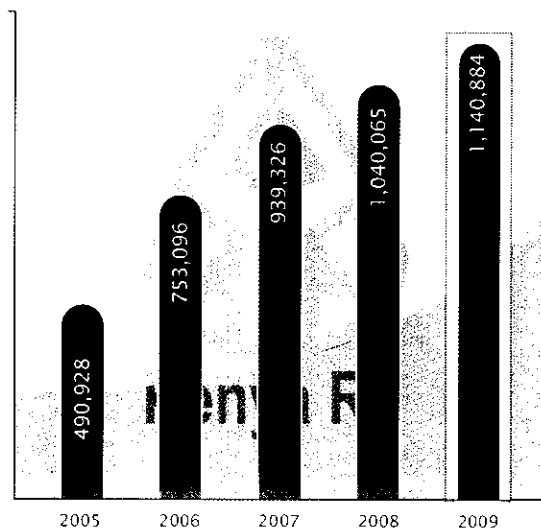


**SHAREHOLDER'S FUNDS**  
IN KSHS '000

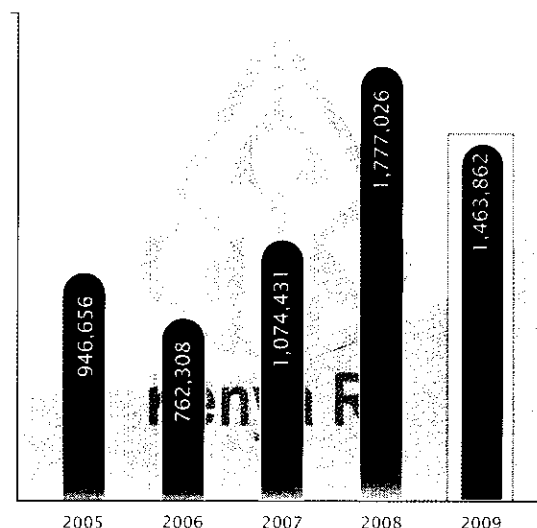


# Five Year Performance Analysis (continued)

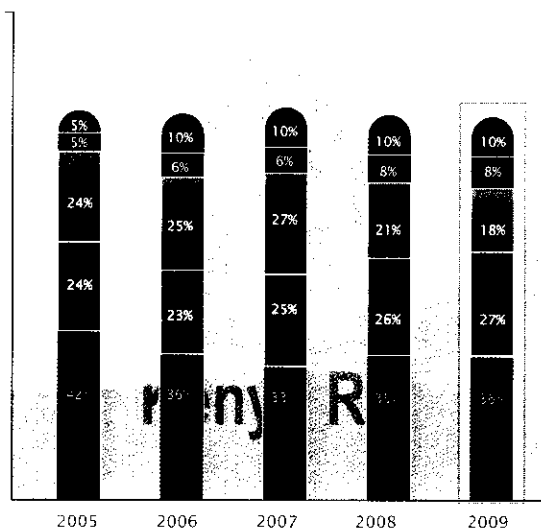
**INVESTMENT INCOME**  
IN KSHS '000



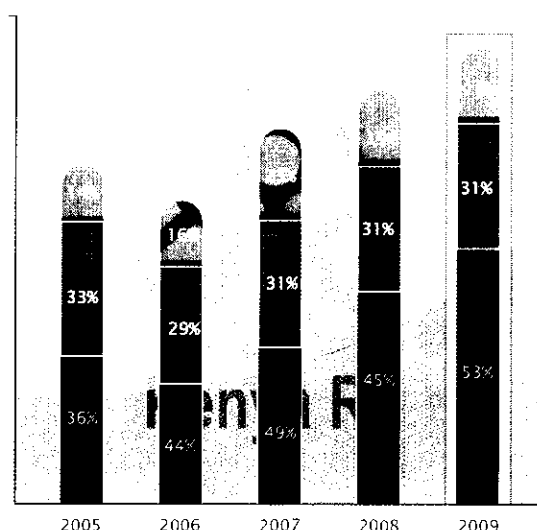
**PRETAX PROFIT**  
IN KSHS '000



**INVESTMENT MIX %**



**OPERATING RATIOS %**



Investment properties
  Government securities  
 Equity instruments
  Fixed Deposits
  Others

Claims Ratio
  Commissions Ratio
  Expense Ratio



# Notice of the 12th Annual General Meeting

Notice is hereby given that the 12th ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED will be held at the Bomas of Kenya, off Langata Road, Nairobi, on Friday, 18th June 2010 at 11.00 a.m. when the following business will be transacted, namely:

## AGENDA

1. Constitution of the Meeting - To read the notice convening the Meeting and determine if a quorum is present and to confirm the Minutes of the 11th Annual General Meeting held on 22nd June 2009.
2. To receive, consider and, if approved, adopt the Corporation's audited Financial Statements for the year ended 31st December 2009 together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To approve payment of a first and final dividend of KShs 0.50 per share, subject to withholding tax where applicable, for the financial year ended 31st December 2009 to the shareholders registered in our books as at 18th June 2010 on or about 23rd July 2010, as recommended by the Board, and approve the closure of the Register of Members on 21st June 2010.
4. Election of Directors:
  - a) In accordance with Articles 110 of the Corporation's Articles of Association, Mr. Joseph K. Kinyua retires by rotation as a Director and, being eligible, offers himself for re-election.
  - b) In accordance with Article 115 of the Corporation's Articles of Association, Messrs. Mutwiri Ikiao, Everest Lenjo, Mrs. Gladys Mboya, and Mr. Felix Okatch, having been appointed to fill casual vacancies retire as directors of the Corporation, and being eligible, offer themselves for re-election.
5. To approve the Directors' remuneration.
6. Auditors  
To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Controller and Auditor-General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act (as amended by the Miscellaneous Law Amendment Act 2002) and Sections 14 and 39 (i) of the Public Audit Act 2003.
7. To authorise the Directors to fix the remuneration of the Auditors.
8. To transact any other ordinary business which may be transacted at an Annual General Meeting.

## SPECIAL BUSINESS:

9. Amendment of the Corporation's Articles of Association:

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

"That Article No.151 of the Articles of Association of the Corporation be amended by including the following proviso:

Provided that in the case of a notice of an Annual General Meeting, such notice may also be given by:

- a) Publishing a notice containing a summary of both the annual financial statement and auditors' report, in at least any two local daily newspapers with national circulation for at least two consecutive days; or,
- b) Sending to every member, a notice through the electronic media containing a summary of both the annual financial statements and auditor's report."

*Full copies of the complete Memorandum and Articles of Association are available for inspection at the Corporation's Registered Offices - 15th Floor, Reinsurance Plaza, Taifa Road, Nairobi.*

By Order of the Board



Habil A. Waswani  
Corporation Secretary,  
Kenya Reinsurance Corporation Limited  
15th Floor, Reinsurance Plaza, Taifa Road  
P.O. Box 30271 - 00100, Nairobi

28th April 2010

## NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Corporation. To be valid, the form of proxy attached to this Annual Report or downloaded from the Corporation's website, must be duly completed and signed by the member and must be lodged at the registered offices of the Corporation's Share Registrars, KCB Registrar Services, Kencom House, 7th Floor, P.O. Box 48400-00100 GPO, Nairobi or to be posted, so as to reach KCB Registrars Services not later than 16th June 2010 at 11.00 a.m.
2. Any member may by notice duly signed by him or her and delivered to the Corporation Secretary on the above address, not less than 7 days and not more than 21 days before the date appointed for the Annual General Meeting give notice of his intention to propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the Company.

# Ilani ya Mkutano Mkuu wa 12

Ilani inatolewa hapa kwamba MKUTANO MKUU WA 12 WA MWAKA WA SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED utafanyika kwenye ukumbi wa Bomas of Kenya, mkabala na Barabara ya Langata, Nairobi, mnamo siku ya Ijumaa, tarehe 18, Juni 2010 nyakati za saa 5.00 asubuhi. Wakati ambapo shughuli zifuatazo zitakapofanyika na; Ajenda zenyewe ni:

## AJENDA

1. Ratiba ya Mkutano - Kusoma tangazo la kuitisha Mkutano na kuangalia iwapo idadi ya watu waliohudhuria wanatimia idadi kamili inayostahili ya kuanzisha Mkutano na kuhakikisha kusomwa kwa kumbukumbu za Mkutano Mkuu wa 11 wa Mwaka uliofanyika mnamo tarehe 22, Juni mwaka wa 2009.
2. Kupokea, kupendekeza na, ikiwezekana kuidhinisha, kukubali Taarifa za Kifedha Zilizokaguliwa za Shirika za mwaka ulizomalizikia Desemba 31 mwaka wa 2009 pamoja na Ripoti za Mwenyekiti, Wakurugenzi Wakuu na Mkaguzi Mkuu wa Mahesabu.
3. Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa hisa wa shilingi 0.50 kwa kila hisa, kwa kutegemea matozo ya ushuru wa uhifadhi wa fedha, pale inapofaa, kwa kipindi cha mwaka uliomalizikia Desemba 31 mwaka wa 2009 kwa wenyehisa waliosajiliwa kwenye vitabu vyetu kufikia katika tarehe 18 Juni 2010 karibu na au tarehe 23 Julai 2010, kama ilivyopendekezwa na Bodi ya Halmashauri Kuu, na kuidhinisha kufungwa kwa Kitabu cha Usajili cha Wanachama kufikia tarehe 21 Juni 2010.
4. Uchaguzi wa Wakurugenzi Wakuu:
  - a) Kulingana na Kifungu cha 110 cha Mkataba wa Kiushirika wa Shirika hili, Bw. Joseph K. Kinyua anastaafu kwa zamu kama Mkurugenzi na, huku akiwa na nafasi ya kuchaguliwa tena, anajitolea kuchaguliwa upya.
  - b) Mstahiki, Mutwiri Ikiao, Bw. Everest Lenjo, Bi. Gladys Mboya, na Bw. Felix Okatch, kulingana na Kifungu cha 115 cha Mkataba wa Kiushirika wa Shirika hili, tayari wameteuliwa ili kuchukua nafasi za kazi za kawaida huku wakistaafu kama wakurugenzi wa Shirika, na huku wakiwa na nafasi ya kuchaguliwa tena, kwani wanajitolea kuchaguliwa upya.
5. Kuidhinisha mishahara na marupurupu ya Wakurugenzi Wakuu.
6. Wakaguzi wa Mahesabu  
Kufahamu ya kwamba, ukaguzi wa vitabu vya mahesabu vya Shirika utaendelea kushughulikiwa na Mkaguzi Mkuu wa Mahesabu ama taasisi ya ukaguzi wa mahesabu itakayochaguliwa na mkaguzi wa mahesabu kulingana na Sehemu ya 14 ya Kifungu cha Sheria cha Mashirika ya Umma (kama kilivyorekebisha katika Kifungu cha Sheria ya Marekebisho ya Ziada cha mwaka wa 2002) na Sehemu ya 14 na 39 (i) ya Kifungu cha Sheria ya Ukaguzi wa Umma cha mwaka wa 2003. Kuidhinisha Wakurugenzi ili kushughulikia mishahara na malipo ya Wakaguzi Wakuu wa Mahesabu.
7. Kushughulikia biashara nyingine yeyote ya kawaida inayoweza kushughulikiwa katika Mkutano Mkuu wa Mwaka.

## BIASHARA MAALUM:

8. Marekebisho ya Mkataba wa Kiushirika wa Shirika hili:

Kupendekeza na, ikionekana bora, kupitisha makubaliano yafuatayo kama makubaliano maalum:

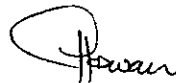
"Kwamba Kifungu cha Nambari 151 cha Mkataba wa Kiushirika wa Shirika hili kinaweza kurekebisha kwa kuongezea masharti yafuatayo:

Isipokuwa tu, iwe ni tangazo Mkutano Mkuu wa Mwaka, tangazo kama hilo linaweza kutolewa kwa:

- a) chapisha tangazo litakalohusisha taarifa za kifedha za mwaka na ripoti ya mkaguzi wa hesabu kwa ufupi, angalau katika magazeti mawili ya kila siku yanayosomwa nchini kwote, angalau kwa siku mbili mfululizo; ama,
- b) kuwatumia wanachama wote tangazo hili kupitia kwa vyombo vya habari vya utangazaji, likiwa limehusisha taarifa ya kifedha ya mwaka na ripoti ya mkaguzi wa hesabu."

*Nakala kamili za Memoranda na Mkataba wa Kiushirika wa Shirika hili zinapatikana ili kukaguliwa katika afisi zilizosajiliwa za Shirika - Orofa ya 15, Reinsurance Plaza, Taifa Road, Nairobi.*

Kwa amri ya Halmashauri Kuu



Habil A. Waswani  
Katibu wa Shirika,  
Kenya Reinsurance Corporation Limited  
Orofa ya 15, Reinsurance Plaza  
Taifa Road  
S.L.P 30271 - 00100  
Nairobi

28 Aprili 2010

## MATINI:

1. Mwanachama anayestahili kushiriki na kupiga kura kwenye mkutano huo na asiyeweza kuhudhuria ana uwezo wa kumteua mwanachama mbadala ili kuhudhuria na kupiga kura kwa niaba yake. Mwanachama huyo mbadala sio lazima awe mwanachama wa Shirika. Ili fomu hiyo iwe halali, fomu hiyo ya mwanachama mbadala iliyoambatishwa katika Ripoti hii ya Mwaka ama iliyoopolewa kutoka kwenye wavuti wa shirika, inastahili kukamilishwa na kutiwa sahihi na mwanachama na kisha hatimaye kutumwa katika Afisi Zilizosajiliwa za Afisa Mkuu wa Masjala wa Shirika, katika KCB Registrar Services, Kencom House, Orofa ya 7, S.L.P 48400-00100 GPO, Nairobi ama itumwe kwenye Posta, ili ifike kwa afisi ya Huduma za Masjala za KC8 kwa tarehe isiyopita 16 Juni 2010, kwenye majira ya saa 5.00 Asubuhi.
2. Mwanachama yeyote kwa kupitia tangazo hili, ambaye aliweka sahihi na kufikisha barua yake kwa Katibu wa Shirika kupitia kwa anwani zilizotolewa hapo juu, sio chini ya siku 7 na isiwe zaidi ya siku 21 kabla ya tarehe iliyoteuliwa kuwa siku ya Mkutano Mkuu wa Mwaka, anastahili kutangaza azma yake ya kumpendekeza mtu mwingine yeyote katika uchaguzi wa Bodi Kuu, barua hiyo inafaa kuambatanishwa na nakala iliyotiwa sahihi na yule anayependa kuchaguliwa. Mtu aliyependekezwa sio lazima awe mwanachama wa kampuni.



**Sitted (left to Right):**

1. Everest M. Lenjo - Non-Executive Director
2. Jacob Haji Ali - Non-Executive Director
3. Nelius Kariuki - Non-Executive Chairman
4. Jadhiah M. Mwarania - Acting Managing Director
5. Mutwiri Ikiao - Non-Executive Director

**Standing (Left to Right):**

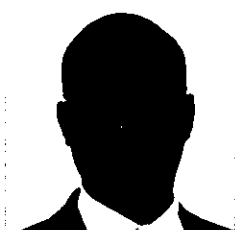
1. Joseph K. Kinyua - Permanent Secretary, Treasury
2. Habil A. Waswani - Corporation Secretary
3. Felix O. Okatch - Non-Executive Director
4. Nelson C. Kuria - Non-Executive Director
5. Dr. Iruki Kailemia - Non-Executive Director
6. Gladys M. Mboya - Non-Executive Director

# Directors Profiles



**MRS. NELIUS KARIUKI, 60 yrs - NON EXECUTIVE CHAIRMAN**

Mrs. Nelius Kariuki joined the Corporation's Board of Directors on 18th December 2003 as a Director, and has been the Chairman of the Corporation's Board since 4th January 2007. She is holder of Bachelor of Arts (Hons.) (Econ.) and Master of Arts (Econ.) degrees from The University of Nairobi. She has written various research papers on Public Finance. She worked with various ministries rising to the level of Principal Economist until 1990. She is currently in private business being the Director of Nelleen Development Company. She is also a director of Zep Re (PTA Reinsurance Company) and a member of the Institute of Directors.



**MR. JADIAH M. MWARANIA, 45 yrs - ACTING MANAGING DIRECTOR**

Mr. Mwarania was appointed the acting Managing Director of the Corporation effective 11th April 2010. He has worked with the Corporation for over 19 years rising to the level of General Manager, Reinsurance Operations. He holds a Bachelor of Commerce (B.com.) (Hons.) degree as well as a Master of Business Administration (MBA) degree from The University of Nairobi. He is a Fellow of both the Chartered Insurance Institute of London (FCII), and the Insurance Institute of Kenya (FIK). Mr. Mwarania is a Chartered Insurer of the Insurance Institute of London (CII) and an Associate Member of the Kenya Institute of Management (AMKIM). He is an Alternate Director on the Board of Directors of Zep Re (PTA Reinsurance Company) and the Hon. Secretary of the Association of Kenya Reinsurers (AKR).



**MR. JOSEPH K. KINYUA, CBS, 59 yrs - PERMANENT SECRETARY, TREASURY - NON EXECUTIVE DIRECTOR**

Mr. Kinyua holds Bachelor of Arts (Econ.) and Masters of Arts (Econ.) degrees from The University of Nairobi. He is currently the Permanent Secretary to the Treasury, under the Office of the Deputy Prime Minister and Ministry of Finance. He is a career economist having served in various senior capacities in the Treasury and the Central Bank of Kenya; and he has also worked as an economist with the International Monetary Fund between 1985 and 1990. He has served as a board member in various State Corporations and as a member of the Programme Committee of the African Economic Research Consortium (AERC) and is an Alternate Governor, World Bank Board of Governors.



**DR. IRUKI KAILEMIA, 56 yrs - NON EXECUTIVE DIRECTOR**

Dr. Kailemia joined the Board of Directors of the Corporation on 18th December 2003. He holds a Bachelors Degree in Pharmacy from The University of Nairobi. He has been a Pharmacist at Kenyatta National Hospital and a Marketing Manager at Sandoz Pharmaceuticals Ltd. Currently, he is the Managing Director of Madawa Pharmaceuticals Limited.



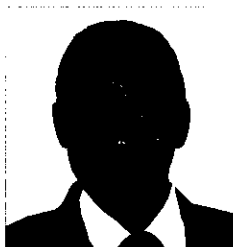
**MR. JACOB HAJI ALI, 53 yrs - NON EXECUTIVE DIRECTOR**

Mr. Haji was appointed a Director of the Corporation on 18th December 2003. His Directorship was extended on 4th January 2007. Mr. Haji was a Legal Assistant with ICDC between 1977-1995. He has attended a course in management at Kenya Institute of Management. He has attended various other professional management, governance and leadership courses. Currently, he is in private business.



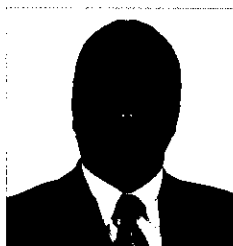
**MRS. GLADYS M. MBOYA, 41 yrs - NON EXECUTIVE DIRECTOR**

Mrs. Mboya joined the Corporation's Board of Directors on 4th January 2007. She is an Advocate of the High Court of Kenya. She is the Managing Partner of Mboya and Wangong'u Advocates with fifteen years experience in Commercial and Corporate practice. She is a Certified Public Secretary of Kenya, a Member of the Chartered Institute of Arbitrators and a Mentor with the Global Give Back Circle (GGBC). She holds a Masters degree in Business Administration (MBA) from the University of Warwick (UK), a Bachelor of Laws with Honours degree (LLB) from the University of Wales, Aberystwth (UK) and a Diploma in Law from the Kenya School of Law.



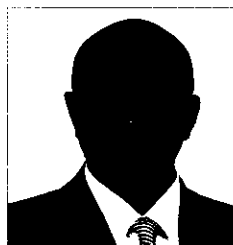
**MR. EVEREST M. LENJO, 58 yrs – NON EXECUTIVE DIRECTOR**

Mr. Lenjo joined the Corporation's Board of Directors on 4th January 2007. He holds a Bachelors degree in Business Administration (International Trade & Marketing) from City University of New York and a Masters in Business Administration (Corporate Finance) degree from St. John's University Queens New York. He previously worked in the oil industry with Caltex Oil Kenya in various managerial levels in the regional marketing and trading of fuels in East Africa. He currently is a consultant in exports, trading and transport logistics in the regional fuels market.



**MR. MUTWIRI IKIAO, 59 yrs – NON EXECUTIVE DIRECTOR**

Mr. Ikiao joined the Corporation's Board of Directors on 4th January 2007. He holds a Bachelor of Arts (Economics & Government) degree from The University of Nairobi. He has attended an Executive management programme at University of Western Ontario, Canada and the Insurance Management programme at College of Insurance (London). He also has a Banking Diploma from the Institute of Bankers (London). Mr. Ikiao has successfully completed various postgraduate professional management courses. He has worked in both the Banking and Insurance Industry. He was a Banking Executive between 1976-1981 and a General Manager in Charge of Finance and Administration in Intra Africa Assurance Company Ltd between 1981-2005. He has been a Director in Kenya Industrial Estates (K.I.E), Agricultural Finance Corporation and Williamson Development Co. Ltd.



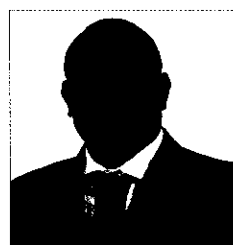
**MR. NELSON C. KURIA, OGW, 56 yrs – NON EXECUTIVE DIRECTOR**

Mr. Kuria joined the Corporation's Board of Directors on 22nd June 2009. He graduated with a Bachelor of Arts degree in Economics from The University of Nairobi in 1979. Since then, he has undergone extensive training in strategic management and leadership. Mr. Kuria has 31 years working experience most of which have been in the insurance industry. For the last 12 years he has been working for The Co-operative Insurance Company of Kenya (CIC) where he is the Managing Director and CEO since 2001. Mr. Kuria is the immediate past Chairman of the Association of Kenya Insurers (AKI). He is still a board member of AKI and he represents the Association in the boards of the Federation of Kenya Employers (FKE) and Kenya Reinsurance Corporation. He is a member of the Institute of Directors of Kenya and is a member of many other local and international boards.



**MR. FELIX O. OKATCH, 56 yrs – NON EXECUTIVE DIRECTOR**

Mr. Okatch joined the Corporation's Board of Directors on 8th April 2010. He is a graduate of Commerce from The University of Nairobi. He also holds a post graduate diploma from Helsinki School of Economics and an executive MBA from Makerere University Business School. He is multilateral trade expert and has over 30 years working experience in local and multinational Corporations. He also serves on the boards of various organizations in Kenya. He has written various publications on marketing and economic issues.



**MR. HABIL A. WASWANI, 33 yrs – CORPORATION SECRETARY & PRINCIPAL LEGAL OFFICER**

Mr. Waswani joined the Corporation on 3rd August 2009. He held a similar position in Diamond Trust Bank Kenya Limited before joining the Corporation. Mr. Waswani holds a Bachelor of Laws (LL.B) Degree from The University of Nairobi and a Diploma in law from the Kenya School of Law. He has attended various professional management and governance courses. Besides being an Advocate of the High Court of Kenya and a registered Certified Public Secretary, Mr. Waswani is also a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

# Chairman's Statement



*"... our gross premium grew by 11% and the investment income grew by 10% which contributed to the strong balance sheet."*

Mrs. Nelius Kariuki - *Chairman*

## SHAREHOLDERS

I am delighted to present the annual report and financial statements of your company, Kenya Reinsurance Corporation Limited, for the year ended 31st December 2009. For Kenya Re, 2009 was yet another year of outstanding financial performance. This remarkable improved performance reflects the Corporation's great potential and emphatically stamps Kenya Re's financial strength as a regional reinsurer.

## FINANCIAL PERFORMANCE

In the year 2009, Kenya Re witnessed continued growth in its business volumes despite an 11% decline on its net profit from Kshs 1.499 billion in 2008 to 1.329 billion in 2009. Pre-tax profit for the year declined by 18% from Kshs 1.777 billion in 2008 to Kshs 1.464 billion in 2009. Total assets grew from Kshs 13.941 billion to Kshs 15.001 billion, being an 8% growth. Shareholders' funds increased by 10% from Kshs 8.28 billion in 2008 to Kshs 9.10 billion in 2009.

Kenya Re shares performed above the NSE index most of the year despite an adverse financial environment. With the economic recovery, and given our revised and flexible business strategies, our shares are well-positioned to benefit from the new economic dispensation.

During the year, significant steps were taken to strengthen the business fundamentals which ensured

that our gross premium grew by 11% and the investment income grew by 10% due to prudent investment mix which contributed to the strong balance sheet.

In an effort to broaden and diversify the capabilities of the Board and Management, several appointments were made in 2009. One additional Director Mr. Felix Owaga Okatch was appointed to the Board and three other Directors, Mutwiri Ikiao, Everest Lenjo and Mrs. Gladys Mboya whose term had expired were also reappointed to fill casual vacancies. These appointments are subject to the approval of shareholders. At the Management level a number of senior professionals were also hired through a competitive selection: The Principal Legal Officer/ Corporation Secretary and the General Manager Finance & Investments.

## OVERVIEW OF BUSINESS ENVIRONMENT

The Kenyan economy registered a slight growth from the previous year. Although the global economy was largely affected by the financial crisis and economic recession, this did not adversely impact the developing economies. Hence Kenya Re felt confident heading into 2009 as we were entering the year strong, we expected to exit it stronger. However, the environment became increasingly challenging as the Kenyan economy contracted due to the prolonged effects of drought and high inflation. Despite this economic environment, Kenya Re performed soundly and our 2009 results were good.

## DIVIDENDS

Given our good performance, the Board is pleased to propose a dividend of Kshs 0.50 per share for the year 2009.

## CORPORATE SOCIAL RESPONSIBILITY

Your corporation is committed to the highest standards of professionalism in its business activities and welfare of the society at large. In order to achieve the above objectives, the Board has come up with a CSR policy that will strengthen our efforts for the common good through building and sustaining strong engagements with our communities. Going forward, we would like to measure our accomplishments not only in terms of financial performance but also by the transformation we have consciously engendered to augment the social-economic wellbeing of our people around Kenya.

## FUTURE OUTLOOK

Going forward, we will continue our growth strategy by growing our business to enhance our earnings and significantly contribute positively to shareholders' value.

The Insurance Act requires insurers to maintain set minimum capital for the long term and the short term businesses. The corporation's capital base is over and above the set minimum requirements; however, the law requires the capital be split between the long term and short term businesses. In addition, the Insurance Regulatory Authority has informed the industry that long term businesses should be ran as separate legal entities from the short term business and a revision to the Insurance Act will be made to outlaw composite insurance companies. The Board of Directors is working on the modalities of complying with these legislative requirements and will keep you updated on the same as progress is made. The split of capital will indeed require your approval, which we will be seeking in the near future.

## APPRECIATION

Our good results would not have been achieved were it not for the support we have received from our customers, the cedants, brokers, actuaries, retrocessionaires, shareholders and all other business partners.

On my own behalf and on behalf of the Board, I would like to record the Board's sincere thanks to all of the Kenya Re's employees for the good performance during the year 2009. I also wish to extend my appreciation to the

Government for their invaluable support and guidance, our valued customers, the insurance companies and our shareholders. We look forward to your continued support in our pursuit to scale the performance of Kenya Re to higher levels and also by extension have a more inclusive and equitable development for our nation.

Thank you.



Nelius Kariuki  
Chairman



*"... kiwango chetu cha jumla cha uzalishaji kilikua kwa 11% na mapato ya uwekezaji kukua kwa 10% iliyochangia pakubwa katika uboreshaji wa nyaraka za kifedha."*

Mrs. Nelius Kariuki - Mwenyekiti

## WENYEHISA

Nina furaha kuwawasilishia ripoti ya mwaka na taarifa za kifedha za kampuni yako, Kenya Reinsurance Corporation Limited, kwa mwaka uliomalizikia Desemba 31, 2009. Kwa kampuni ya Kenya Re, mwaka wa 2009 ulikuwa ni mwaka mwingine wa mafanikio makubwa. Ufanisi huu unaakisi malengo kamili ya kampuni hii na ubora wa kifedha wa Kenya Re kama kiongozi wa bima kwenye kanda nzima.

## UZALISHAJI WA KIFEDHA

Katika mwaka wa 2009, Kenya Re ilishuhudia ukuaji mzuri kwenye biashara zake licha ya kupungua kwa asilimia kumi na moja ya faida kamili kutoka shilingi bilioni 1.499 katika mwaka wa 2008 hadi shilingi bilioni 1.329 mnamo mwaka wa 2009. Faida kabla ya ushuru ya mwaka huo ilipungua kwa asilimia kumi na nane kutoka shilingi bilioni 1.777 katika mwaka wa 2008 hadi shilingi bilioni 1.464 mnamo mwaka wa 2009. Raslimali za jumla zilikua kutoka shilingi billioni 13941 hadi shilingi billioni 15.001, hii ikiwa ni ukuaji wa asilimia nane. Hazina ya wenyehisa iliongezeka kwa asilimia kumi kutoka shilingi bilioni 8.28 mnamo mwaka wa 2008 hadi shilingi bilioni 9.10 mnamo mwaka wa 2009.

Hisa za Kenya Re zilifaulu na hata kupita kiwango cha uorodheshaji wa NSE kwa kipindi kizima licha ya kuwepo kwa mazingira magumu ya kifedha. Kufuatia kufufuka kwa Uchumi na mikakati yetu mipya na kabambe ya

kibiashara, hisa zetu ziko imara ili kufaidika kutokana na hali ya kuimarika kwa uchumi.

Katika kipindi cha mwaka huo, hatua muhimu zilichukuliwa ili kuboresha misingi ya kibiashara iliyotuhakikishia kwamba kiwango chetu cha jumla cha uzalishaji kilikua kwa asilimia kumi na moja, na mapato ya uwekezaji kukua kwa asilimia kumi kufuatia mikakati maalum ya mipango ya uwekezaji iliyochangia pakubwa katika uboreshaji wa loho au nyaraka za kifedha.

Kwa lengo la kuboresha na kuimarisha mamlaka ya Halmashauri Kuu na Usimamizi wa kampuni, watu wenye tajriba mbalimbali walijajiriwa kazi mnamo mwaka wa 2009. Bw. Felix Owaga Okatch aliteuliwa kuwa Mkurugenzi Mkuu wa Halmashauri Kuu miongoni mwa Wakurugenzi Wakuu, wengine kama vile Mutwiri Ikiao, Everest Lenjo na Bi Gladys Mboya ambao hatamu yao ya ukurugenzi ilimalizika, waliteuliwa upya ili kujaza nafasi za kawaida za kazi. Uteuzi huu unategemea kuidhinishwa na wenyehisa. Katika ngazi ya Usimamizi wa kampuni, baadhi ya wataalamu wa viwango vya juu walijajiriwa kazi kupitia kwa kinyang'anyiro kikali kilichokuwa na ushindani: Afisa Mkuu wa Kisheria/Katibu wa Shirika na Maneja Mkuu wa Fedha na Uwekezaji.

**MTAZAMO WA JUMLA WA MAZINGIRA YA KIBIASHARA**  
Uchumi wa Kenya ulionyesha ukuaji wa kiwango kidogo ukilinganisha na mapato ya mwaka uliotangulia. Hata



kama uchumi wa kimataifa uliathirika kwa kiwango kikubwa kufuatia kudorora kwa mapato ya kifedha na uchumi, Hali hii haikuathiri pakubwa mataifa yanayoendelea. Hata hivyo, Kenya Re ilikuwa na imani ilipoukaribisha mwaka wa 2009 kwa vishindo, tulitazamia kuukamilisha mwaka huo kwa ukakamavu zaidi. Licha ya hayo, mazingira ya utendakazi wetu yalikabiliwa na changamoto kubwa baada ya uchumi wa Kenya kudorora kufuatia kipindi cha ukame kilichoendelea kwa muda mrefu na mfumko wa bei. Licha ya kuwepo kwa hali hii ya kiuchumi, shirika la Kenya Re ilifanya vizuri na matokeo ya mwaka wa 2009 yalikuwa mazuri.

## MGAO

Kufuatia kwa matokeo yetu mazuri, Halmashauri Kuu inapendekeza mgao wa shilingi 0.50 kwa kila hisa katika mwaka wa 2009.

## MAJUKUMU YA KIUSHIRIKA NA KIJAMII

Shirika lako limejitolea kufikia viwango vya juu vya ubora wa kitaalamu katika shughuli zake za kibiashara na kadhalika kuisaidia jamii. Ili kuyafikia malengo yetu hapo juu, Halmashauri yetu imeunda sera maalum kuhusu majukumu ya kiushirika na kijamii (CSR), itakayoboresha jitihada zetu na kutufanikisha kupitia kwa ushirikiano mwema na wanajamii.

Azma yetu maalum ni kwamba tungependa kuupima ufanisi wetu sio tu katika matokeo ya kifedha bali pia katika mchakato mzima wa kuhusisha muingiliano wa kiuchumi-jamii kwa Wakenya.

## MTAZAMO WA BAADAYE

Tutaendeleza mikakati yetu ya ukuaji wa kibiashara ili kuboresha mapato yetu na kuchangia pakubwa katika thamani ya wenyeji wetu.

Sheria ya bima inawahitaji watoaji bima kuweka kiwango maalum cha chini kama mtaji kwa uwekezaji wa muda mrefu na mfupi katika biashara zao. Msingi wa mtaji wa shirika hili umepitia kiwango hicho kwa mbali; isipokuwa, sheria inashauri kwamba mtaji huo ugawanywe kati ya viwango vya uwekezaji wa biashara za muda mrefu na muda mfupi. Zaidi ya hayo, Halmashauri ya Kusimamia Bima imeifahamisha sekta hii kwamba biashara za kipindi kirefu zinafaa kuendeshwa kivyake tofauti kabisa na biashara ya muda mfupi. Kadhalika marekebisho ya sheria ya bima yatafanyika ili kuziondolea mbali kampuni za bima zisizofuata kanuni. Halmashauri ya Wakurugenzi Wakuu inashughulikia mbinu muafaka za kutekeleza wajibu

huo wa kisheria na itawafahamisha kadri mambo yanavyoendelea. Ugawanyaji huo wa mtaji utahitaji uidhinishaji wenu, tutakaouhitaji siku za usoni.

## SHUKRANI

Kwa kweli tusingalikuwa tumefaulu bila ya usaidizi mkubwa kutoka kwa wateja wetu, washirika, mawakala, wahasibu wa bima, waakibishaji, washikadau na washirika wengine wa kibiashara.

Kwa niaba yangu mwenyewe na kwa niaba ya Halmashauri, ningependa kutoa shukrani zao za dhiti kwa wafanyikazi wote wa Kenya Re, kwa kazi nzuri katika mwaka wa 2009. Ningependa pia kutoa shukrani zangu kwa Serikali kwa usaidizi na ushauri wao mkubwa, wateja wetu, kampuni za bima na wenyeji wote. Tungependa kuendelea kuwa na ushirikiano mwema ili kuboresha uzalishaji wa Kenya Re na pia kuwa na uhusiano mzuri na maendeleo yenye usawa katika taifa letu.

Asanteni sana.



Nelius Kariuki  
Mwenyekiti

# 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 activities of the Corporation are underwriting all classes of reinsurance business and investment activities.

## RESULTS

	2009 Sh '000
Profit before taxation	1,463,862
Taxation charge	(134,958)
Profit for the year transferred to retained earnings	1,328,904

## DIVIDENDS

The directors recommend the payment of first and final a dividend of Sh 0.50 (2008 - Sh 0.50) per share totalling to Sh 300 million for the year ended 31 December 2009 (2008 - Sh 300 million).

## DIRECTORS

The present membership of the Board is set out on page 3.

Mr. Nelson Kuria was elected to the Board at the 2008 Annual General Meeting held on 22 June 2009.

In accordance with Articles 110 of the Corporation's Articles of Association, Mr. Joseph K. Kinyua retires by rotation as a Director and, being eligible, offers himself for re-election.

In accordance with Article 115 of the Corporation's Articles of Association, Messrs. Mutwiri Ikiao, Everest Lenjo and Mrs. Gladys M. Mboya, were re-appointed to the Board on 8 April 2010 and shall retire and offer themselves for election at the Annual General Meeting on 18 June 2010.

In accordance with Article 115 of the Corporation's Articles of Association, Mr. Felix Okatch was appointed to the Board on 8 April 2010 as a director and shall retire and offer himself for election at the Annual General Meeting on 18 June 2010.

Following the expiry of the contractual term of Mrs. Eunice Mbogo as Managing Director of the Corporation on 11 April 2010, Mr. Jadhah Mwarania, General Manager-Reinsurance Operations, was appointed as Managing Director in acting capacity until the substantive filling of the position through a competitive process.

## SECRETARY

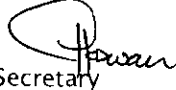
Ms E Embeywa retired on 3 August and was replaced by Mr. Habil Waswani on the same date.

## AUDITORS

The Controller and Auditor General is responsible for the statutory audit of the Corporation's books of account in accordance with Sections 14 and 39(i) of the Public Audit Act, 2003 which empower the Controller and Auditor General to nominate other auditors to carry out the audit on his behalf.

Deloitte & Touche were appointed by the Controller and Auditor General to carry out the audit for the year ended 31 December 2009.

## BY ORDER OF THE BOARD

  
Secretary  
Nairobi  
28 April 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 Corporation as at the end of the financial year and of the operating results of the Corporation for that year. It also requires the directors to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

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 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.

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 Corporation and of its 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 Corporation will not remain a going concern for at least the next twelve months from the date of this statement.



Mr. Jadhah Mwarania  
Acting Principal Officer



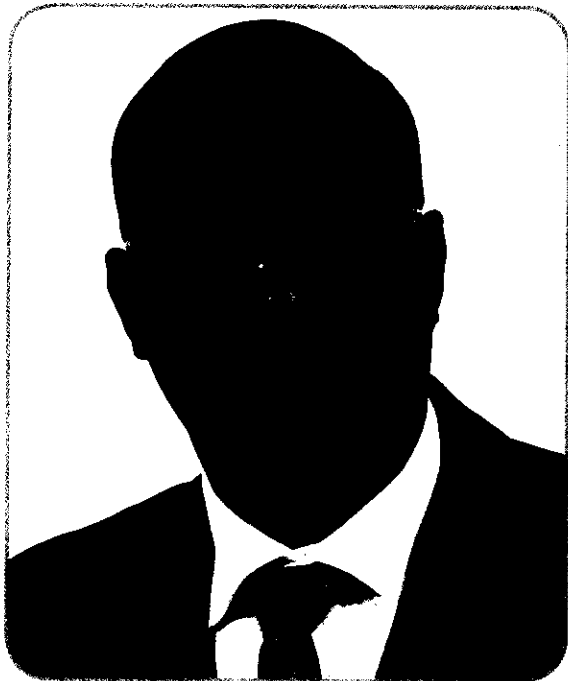
Mrs. Nelius Kariuki  
Director



Mr. Mutwiri Ikiao  
Director

28 April 2010

# Acting Managing Director's Statement



I am delighted to note that Kenya Reinsurance Corporation Limited has posted impressive financial performance for the year 2009 despite the competitive business environment and the global economic meltdown. I am very happy to be part of the team that delivered these results.

*Mr. Jadhav Mwarania - Acting Managing Director*

## FINANCIAL RESULTS

In 2009, Kenya Re recorded remarkable results in its areas of operations. The gross written premiums increased by 11%, to stand at Kshs 3.844 billion up from Kshs 3.462 billion in 2008. The gross earned premiums grew by 8% to stand at Kshs 3.708 billion up from Kshs. 3.428 billion achieved in 2008. This was due to Corporation's aggressive marketing which resulted in acquisition of new business from several markets such as Burundi, Tanzania, Rwanda, Zambia, Nigeria, Egypt, India and Mauritius. In the local market, we increased shares from several companies.

Despite the adverse global financial trends,, investment income grew from Kshs 1.040 billion achieved in 2008 to Kshs 1.141 billion in 2009, a growth of 10%. This was as a result of diversified investment mix.

Total assets improved by 8% from Kshs 13.941 billion in 2008 to Kshs 15.001 billion in 2009.

The profit after tax for the year decreased by 11% to stand at Kshs 1.329 billion from Kshs 1.499 billion in 2008. This is attributable to increase in provisions for outstanding losses after actuarial valuation of the estimated outstanding claims for the general business, which was last done in 2006, and the difference in the gain from revaluation of investments properties between the two years.

## BUSINESS ENVIRONMENT

Reinsurance business became more competitive. In 2009, and our competitors in response established satellite offices in Kenya which heightened the competition.

The financial sector did not recover from the effects of the global economic meltdown which started in 2008. The most affected sector has been the capital market. Fortunately, the local currency recorded relative stability, leading to the stability of our liabilities in hard currencies.

The insurance business in African countries resisted the global financial crisis and in Kenya, like in most of these countries, the insurance sector recorded positive growth.

We anticipate that Kenya Re will gain from the Common Market Protocol for the East African Community which will be implemented from 01st July 2010. The free movement of capital, labor and the flow of investments derived from this protocol will enhance the insurance business.

## OTHER ACHIEVEMENTS

### 1. Rating

Ratings are an important factor in our competitive position and in year 2009 Kenya Re was accorded paying ability rating of AA ( double A) and an international US \$ currency claims paying ability rating of BB+ ( double B+) by Global Credit Rating

agency ( GCR). We also maintained our strong B+ rating by A.M. Best. These awards confirm Kenya Re as a solid business partner in addition to giving stakeholders a completely independent view of the corporation's security.

## 2. ISO 9001: 2008 Certification

Latest economic reality has demonstrated that only those organizations that are customer focused and offering quality service will survive the cut throat competition in the liberalized global economy, which is evidently also uncertain and risky. To survive in that environment, Kenya Re in 2009 embraced the gigantic exercise of getting its Reinsurance and Ancillary business processes standardized by implementing a Quality Management System that was certified by SGS as meeting the requirements of ISO 9001:2008. This certification has sharpened our focus on quality customer service than before.

## 3. ICT

One of the most notable highlights of year 2009 was our continued strategy to improve our ICT infrastructure for more efficient and increased speed in our business processes. In 2009, we acquired a new Life business software and fully implemented a financial software. These developments significantly improved on our efficiency, boosted our business activities and assisted us in managing business relations in an advancing digital economy. We will continue with this trend of adding value to our business processes.

## 4. Market development and penetration

In an effort to increase business portfolio through market penetration and development, Kenya Re continued its expansion strategy and hopes to scale up these efforts in coming years. Operations in international markets were enhanced in most of the African countries, Middle East and Asia.

## 5. Human resources

Human resource is the most valuable asset that Kenya Re owns. With a highly skilled workforce as the backbone of the Kenya Re success story, we are well placed to effectively respond to internal and external needs. In order to retain and maintain these high caliber professionals in our human compliment, we continually review the compensation packages as well as developing and introducing other attractive incentives to

ensure increased employee performance. We are confident that with modern and sound human resource policies in place, we will achieve the corporate objectives more effectively.

## FUTURE OUTLOOK

Kenya Re has put together a five years strategic plan (2010-2015) which seeks to chart the future direction of the Corporation. Among other factors, the plan addresses strategies for premium growth, market penetration within Africa, Middle East and Asia and to mainstream Enterprise Risk Management (ERM).

As a way forward, we will endeavour to continue to grow and expand our reinsurance business in terms of premiums and profitability. We shall continue to apply a more focused marketing strategy, prudent underwriting and claims management. And strive to reduce the loss ratios by continuously analyzing business before acceptance and scaling down in loss making regions.

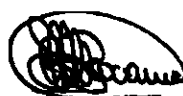
Kenya Re shall also partner with cedants to develop new products and strive to reduce the management expense ratio.

On investments, we shall aim at attaining the highest returns through prudent investments and, a risk and returns balanced investment portfolio.

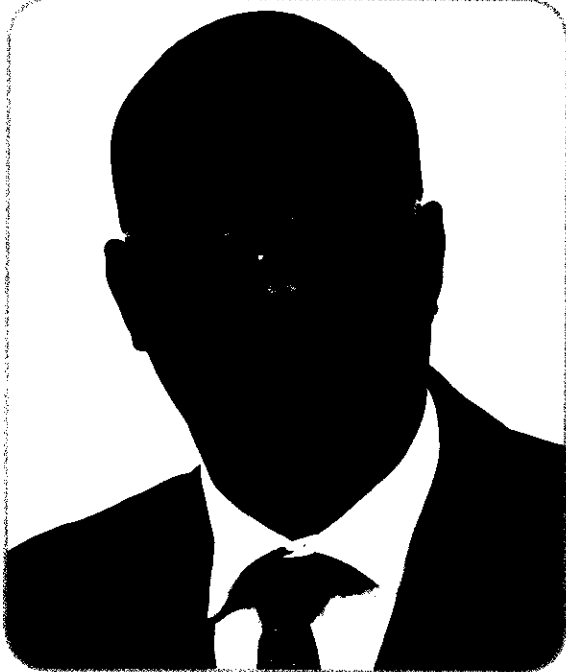
## APPRECIATION

Finally, Ladies and gentlemen, these progressive results for 2009 would not have been possible without teamwork and continued commitment of the management and staff of Kenya Re in partnership with the board of directors who offered their invaluable guidance and support. That is the reason I wish to express my sincere gratitude to them. I also wish to extend the same appreciation to our shareholders and all other stakeholders who have brought us to where we are today. We continue to count on your support and goodwill to enable us achieve our mandate and bring prosperity to our corporation and our country.

Thank you.



Jadhiah Mwarania  
Ag. Managing Director



Nina furaha kueleza kwamba Kenya Reinsurance Corporation Limited imepata matokeo ya kifedha ya kuridhisha kwa mwaka wa 2009, licha ya kuwepo kwa mazingira ya kibiashara yenye ushindani mkubwa na kudorora kwa uchumi ulimwenguni. Nina furaha sana kuwa miongoni mwa kikosi cha wafanyikazi waliopokeleka kupatikana kwa matokeo haya.

Mr. Jadhah Mwarania - Kaimu Meneja Mkurugenzi

## MATOKEO YA KIFEDHA

Katika mwaka wa 2009, Kenya Re ilipata matokeo ya kuridhisha katika sehemu za shughuli zake. Viwango vya juu vya ada inayoandikwa viliongezeka kwa asilimia 11%, na kufikia kwa shilingi bilioni 3.844 kutoka shilingi bilioni 3.462 katika mwaka wa 2008. Viwango vya juu vya ada ya mapato iliyopatikana vilikua kwa asilimia 8% na kufikia kwa shilingi bilioni 3.708 kupanda kutoka shilingi bilioni 3.428 zilizopatikana mwaka wa 2008. Hii ilitokana na ukakamavu wa shirika katika mauzo, hatua iliyochangia kupatikana kwa biashara mpya kutoka kwa masoko kadha kama vile Burundi, Tanzania, Rwanda, Zambia, Nigeria, Misri, India na Mauritius. Katika soko la humu nchini, tuliongeza hisa kutoka kwa kampuni kadha.

Licha ya matatizo ya kudorora kwa uchumi yaliyoshuhudiwa, faida kutokana na uwekezaji iliongezeka kutoka shilingi bilioni 1.040 iliyopatikana mnamo mwaka wa 2008 hadi shilingi bilioni 1.141 katika mwaka wa 2009, ukuaji wa asilimia 10%. Hii ilitokana na kuwepo kwa njia za uwekezaji m'badala.

Rasilimali za jumla ziliimarika kwa asilimia 8% kutoka shilingi bilioni 13.941 mnamo mwaka wa 2008 hadi shilingi bilioni 15.001 katika mwaka wa 2009.

Faida baada ya ushuru kwa mwaka huo ilipungua kwa asilimia 11% kufikia shilingi bilioni 1.329 kutoka shilingi bilioni 1.499 mnamo mwaka wa 2008. Hii ilichangiwa pakubwa na kuongezeka kwa vitengo vya kushughulikia hasara vilivyokuwepo baada ya tathmini halisi ya madai yaliyokuwa hayajalipwa yaliyohusiana na biashara yote, iliyofanyiwa tathmini ya mwisho mnamo mwaka wa 2006, na tofauti ya kilichoongezeka kutoka

kwa tathmini mpya ya mali iliyowekezwa kati ya miaka hiyo miwili.

## MAZINGIRA YA KIBIASHARA

Biashara ya usimamizi wa masuala ya bima ilikuwa na ushindani mkali. Mnamo mwaka wa 2009, washindani wetu walianzisha afisi za wambiyo au satellite nchini Kenya ambazo ziliongeza ushindani.

Sekta ya kifedha haikupata nafuu kutoka kwa athari za kudidimia kwa uchumi ambako kulianza mwaka wa 2008. Sekta iliyoathiriwa zaidi imekuwa soko la mtaji. Kwa bahati nzuri, sarafu ya humu nchini iliimarika kwa kiwango fulani, ambao ulielekeza uthabiti wa dhima zetu katika sarafu.

Biashara ya bima katika nchi za Afrika haikuthirika moja kwa moja na udororaji wa kiuchumi na badala yake taifa la Kenya, kama ilivyo katika nchi nyingi za Afrika, sekta ya bima ilirekodi ukuaji mzuri.

Tunatarajia kuwa Kenya Re itanufaika kutoka kwa Mkataba wa kiitifaki wa Protoko ya Soko la Pamoja la Muungano wa Afrika Mashariki ambao utatekelezwa kuanzia Julai 01 2010. Uhuru wa kusambaa kwa mtaji, ajira na kusambaa kwa uwekezaji unaotokana na protoko hii unatarajiwa kuimarisha biashara ya bima.

## MAFANIKIO MENGINE

1. Kipimo cha kiwango cha ubora  
Kipimo cha kiwango cha ubora ni suala muhimu katika nafasi yetu ya ushindani na mwaka 2009, shirika la Kenya Re lilitunukiwa alama ya AA kwa uwezo wa kulipa na uwezo wa kulipa madai ya dola za Marekani ilipatiwa alama ya BB+ kutoka kwa shirika la uwakala la Global Credit Rating Agency (

GCR). Pia tulishikilia alama ya B+ zilizo rodheshwa na A.M. Best. Tuzo hizi zinathibitisha shirika la Kenya Re kama mshirika thabiti wa kibiashara licha ya kuwapatia washikadau wote maoni huru kuhusu usalama wa shirika.

## 2. Tuzo za ubora za ISO 9001: 2008

Hali halisi ya kiuchumi ya hivi sasa imeonyesha kuwa ni mashirika yale ambayo yanaangazia wateja na kutoa huduma bora ndiyo yatakayofaulu katika ushindani mkubwa uliopo kwa uchumi huru ulimwenguni, ambao pia hauna hakika na hatari.

Kuweza kufaulu katika mazingira hayo, mnamo mwaka wa 2009 shirika la Kenya Re lilikumbatia zoezi kubwa la kupata biashara yake ya masuala na usimamizi wa bima viwango na mifumo ya kuthibiti ubora wa bidhaa, iliyotunukiwa na SGS kama iliyotimiza viwango vyote vya ISO 9001:2008. Tunu hii ya kufikia viwango hivyo imepanua mtazamo wetu wa utoaji huduma bora kwa wateja ukilinganisha na hapo awali.

## 3. TEKNOHAMA -TEKNOLOJIA YA HABARI NA MAWASILIANO

Moja wapo ya mambo yaliyojitokeza zaidi mnamo mwaka wa 2009 ilikuwa kuendelea kwa mikakati yetu ya kuimarisha muundo msingi wa Teknohama (ICT) ili kuweza kuboresha na kuharakisha shughuli zetu za kibiashara. Katika mwaka wa 2009, tulinunua zana-tepe ya maisha ya biashara na kuwekeza kikamilifu kwa zana-tepe ya kifedha kwenye kampuni nzima. Maendeleo haya yaliimarisha pakubwa utendaji kazi, kuinua shughuli zetu za biashara na kutusaidia katika kusimamia uhusiano wa biashara katika uchumi unaoendelea kuimarika. Tutaendelea na mtindo huu wa kuongezea thamani biashara zetu.

## 4. Ustawi na kupenyeza kwa maendeleo ya Soko

Katika juhudi za kuongeza biashara kupitia kwa upenyezaji wa soko na ustawi, Kenya Re iliboresha mikakati yake ya upanuzi na inatumaini kuongeza juhudi hizi katika miaka ijayo. Shughuli katika soko za kimataifa ziliimarishwa katika nchi nyingi za Kiafrika, Mashariki ya Kati na Asia.

## 5. Usimamizi wa Wafanyakazi

Kitengo cha Usimamizi wa Wafanyakazi ndio rasilimali ya thamani zaidi ambayo Kenya Re inamiliki. Ikiwa na wafanyakazi wenye ujuzi kama uti wa mgongo wa habari za ufanisi wa Kenya Re, tuko katika nafasi nzuri ya kuyashughulikia mahitaji ya ndani na nje. Ili kuweza kudumisha na kuendelea wataalam hawa wa hali ya juu katika wafanyakazi wetu, tunaendelea kuyatathmini upya malipo pamoja na kuunda na kuanzisha vishawishi vingine vya kuvutia ili kuhakikisha

kuwa matokeo na uzalishaji wa wafanyakazi yanaongezeka na kuimarika. Bado tuna imani kuwa tukiwa na sera za kisasa na zinazowafaa wafanyakazi, tutayafanya malengo ya shirika hili kufaulu vilivyo.

## MTAZAMO WA SIKU ZIJAZO

Kenya Re imetayarisha mpango wa mikakati ya miaka mitano (2010-2015) ambayo inatoa mwelekeo wa siku zijazo za shirika hili. Miongoni mwa masuala mengine, mpango huo unashughulikia mikakati ya ukuaji wa kiwango cha juu, upenyezaji wa soko barani Afrika, Mashariki ya Kati na Asia na kadhalika kulainisha Usimamizi wa Hatari za Kibiashara (Enterprise Risk Management (ERM)).

Kama njia mojawapo ya kuendelea mbele, tutajitahidi kuendelea kukua na kupanua biashara yetu ya kutoa bima kwa misingi ya viwango vya juu na faida. Tutaendelea kutoa mikakati yenye mielekeo zaidi ya mauzo, kusimamia vyema malipo na madai. Pia, tutajitahidi kupunguza viwango vya hasara kwa kuendelea kukagua vyema biashara zetu kabla ya kukubali na kupunguza maeneo yenye hasara.

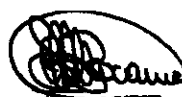
Shirika la Kenya Re pia litashirikiana na washikadau wengine ili kuunda biashara mpya na kujitahidi kupunguza gharama za usimamizi.

Kuhusiana na uwekezaji, tutalenga kufikia mapato ya juu kupitia uwekezaji unaofaa na kusawazisha hatari na mapato katika uwekezaji.

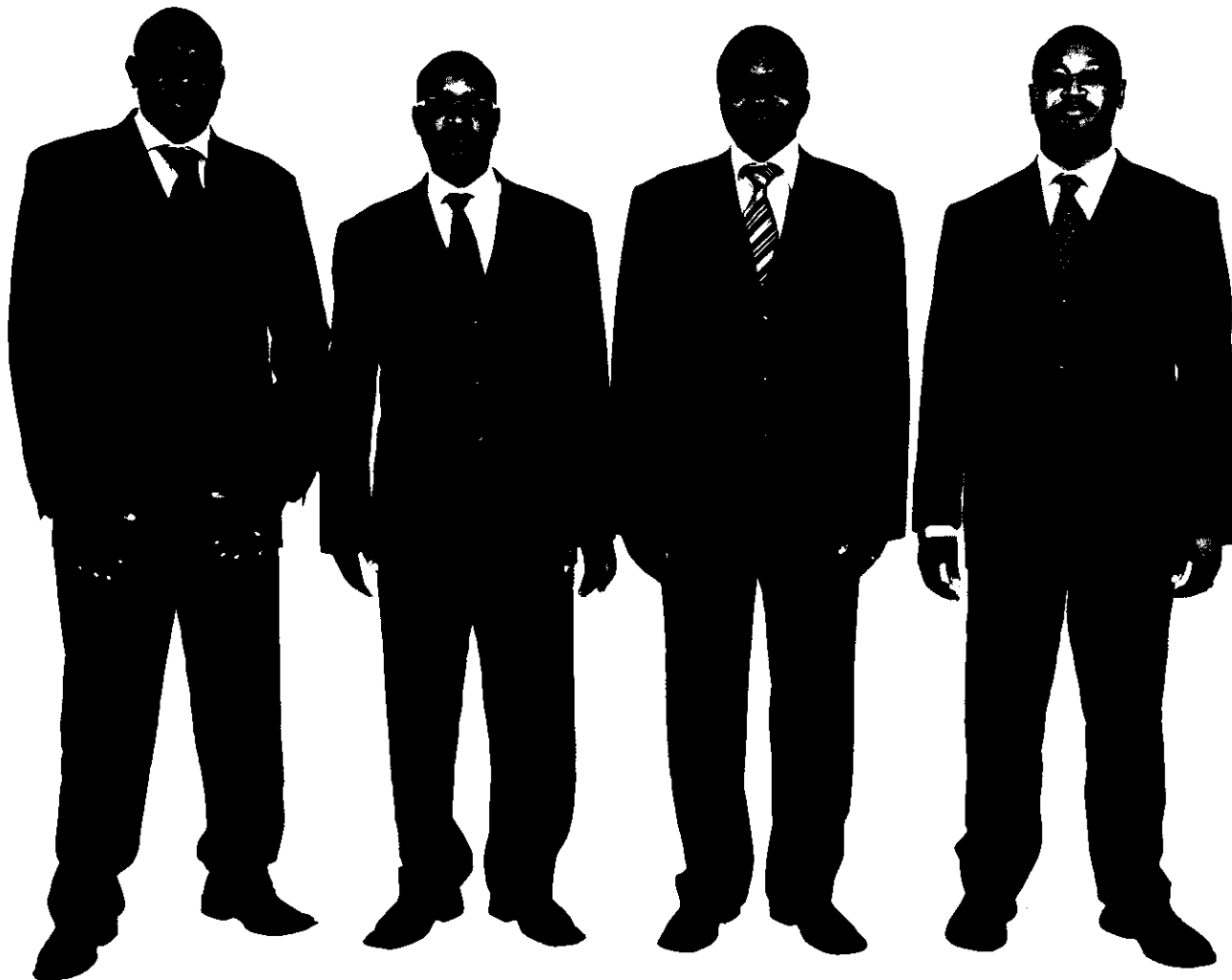
## SHUKRANI

Mwisho, mabibi na mabwana, matokeo haya ya kuridhisha ya mwaka wa 2009 hayangewezekana bila watu wote kushirikiana na wasimamizi na wafanyakazi wa Kenya Re, kuendelea kujitolea kwa ushirikiano na wakurugenzi wa halmashauri ambao walitoa uongozi wao na usaidizi. Hii ndio sababu ningependa kutoa shukran zangu za dhati kwao. Pia ningependa kuwasilisha shukran hizo kwa wenyehisa wetu na washikadau wengine wote ambao wametufikisha mahali tulipo leo. Tunaendelea kutegemea usaidizi na nia yenu njema ili tuweze kufaulisha wajibu wetu na kuleta ufanisi kwa shirika na nchi yetu.

Asanteni



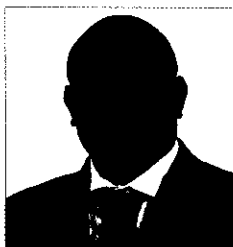
Jadhah Mwarania  
Kaimu - Meneja Mkurugenzi



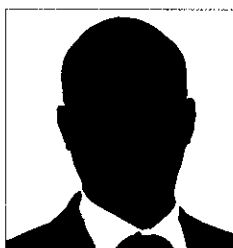
Standing (Left to Right):

1. Habil A. Waswani - Corporation Secretary & Principal Legal Officer
2. Jadhah M. Mwarania - Acting Managing Director
3. Michael J. Mbeshi - General Manager (Human Resource & Administration)
4. Stephen N. Mbui - General Manager (Finance & Investments)



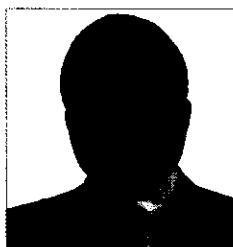


**MR. HABIL A. WASWANI, 33 YRS – CORPORATION SECRETARY & PRINCIPAL LEGAL OFFICER**  
Mr. Waswani joined Kenya Reinsurance Corporation Limited on 3rd August 2009. He held a similar position in Diamond Trust Bank Kenya Limited before joining the Corporation. Mr. Waswani holds a Bachelor of Laws (LL.B) Degree from The University of Nairobi and a Diploma in law from the Kenya School of Law. He has attended various professional management and governance courses. Besides being an Advocate of the High Court of Kenya and a registered Certified Public Secretary, Mr. Waswani is also a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.



**MR. JADIAH M. MWARANIA, 45 YRS – GENERAL MANAGER REINSURANCE OPERATIONS & ACTING MANAGING DIRECTOR**

Mr. Mwarania was appointed the acting Managing Director of the Corporation effective 11th April 2010. He has worked with the Corporation for over 19 years rising to the level of General Manager, Reinsurance Operations. He holds a Bachelor of Commerce (B.com.) (Hons.) degree as well as a Master of Business Administration (MBA) degree from The University of Nairobi. He is a Fellow of both the Chartered Insurance Institute of London (FCII), and the Insurance Institute of Kenya (FIK). Mr. Mwarania is a Chartered Insurer of the Insurance Institute of London (CII) and an Associate Member of the Kenya Institute of Management (AMKIM). He is an Alternate Director on the Board of Directors of Zep Re (PTA Reinsurance Company) and the Hon. Secretary of the Association of Kenya Reinsurers (AKR).



**MR. MICHAEL J. MBESHI, 46 YRS - GENERAL MANAGER (HUMAN RESOURCE & ADMINISTRATION)**

Mr. Mbeshi joined Kenya Reinsurance Corporation Limited on 19th October 1994 as a Premises Officer and was deployed in Property Department. Mr. Mbeshi has risen through the ranks to his current position of General Manager, Human Resource, Property & Administration. Mr. Mbeshi holds a Bachelor of Arts (Land Economics) from the University of Nairobi. He is a member of the Institute of Surveyors of Kenya. He is a holder of MBA from ESAMI (Eastern and Southern African Management Institute). Prior to joining Kenya Re Mr. Mbeshi had worked as an Urban Valuer with the Ministry of Lands. He is a Board Member of IDB Capital Ltd, where he is an alternate Director. He also serves as the Chairman of the Investment Committee of IDB. He has over 20 years working experience.



**MR. STEPHEN N. MBUI, 41 YRS - GENERAL MANAGER (FINANCE & INVESTMENTS)**

Mr. Mbui joined Kenya Reinsurance Corporation Limited on 4th January 2010 as the General Manager, Finance & Investments. Prior to joining the Corporation, He worked for Chevron Kenya Limited (formerly Caltex Oil Kenya Limited) and Caltex Exports Rwanda S.A.R.L. as the Finance Manager. He has over 20 years experience in accounting and financial management gained locally and internationally. Mr. Mbui holds a Bachelor of Commerce (Accounting) Degree from the University of Nairobi and is a Certified Public Accountant of Kenya (CPA, K). He has attended various professional management courses locally and overseas and is presently finalizing his MBA in Finance from the University of Leicester, UK. Mr. Mbui is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

# Corporate Governance Statement

Corporate governance is the process and structure by which companies are directed and controlled and held accountable in order to achieve long term value to shareholders taking cognisance of the interest of other stakeholders.

The Board of Directors of Kenya Reinsurance Corporation Ltd is responsible for the governance of the Corporation and is accountable to the shareholders for ensuring that the Corporation complies with the laws and the highest standards of business ethics and corporate governance. Accordingly the Board attaches very high importance to the generally accepted corporate governance practice and has embraced the internationally developed principles and code of best practice of good corporate governance.

## Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined. The Board comprises of eight directors of which seven of them are independent non-executive directors including the Chairman. The Board defines the Corporation's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Managing Director. The Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Corporation. The Corporation Secretary advises the Board on all corporate governance matters and statutory requirements as well as attends all the Board meetings.

## Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held 4 regular and 8 special meetings during the year under review.

## Committees of the Board

The Board has set up the following principal committees which meet under well defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

### a) Audit Committee of the Board

The membership of the Audit Committee comprises of independent non-executive directors namely, Everest Lenjo (Chairman), Mutwiri Ikiao, Dr. Iruki Kailemia, Nelson Kuria, and Mutua Kilaka. The committee assists the Board to fulfil its corporate governance responsibilities and in particular to:

- Review financial statements before submission to the Board focusing on changes of accounting policies, compliance with the International Financial Reporting Standards and legal requirements and the going concern assumption.
- Strengthen the effectiveness of the internal audit function.
- Maintain oversight on internal control system.
- Increase the shareholders' confidence in the credibility and standing of the Corporation.
- Review and make recommendations regarding the Corporation's budgets, financial plans and risk management.
- Liaise with the external auditors.

The Committee held 5 meetings in the year under review.

### b) Human Resource Committee of the Board

The membership of the Human Resource Committee comprises of Gladys Mboya (Chairman), Jacob Ali Haji and Mutua Kilaka. The Committee reviews and recommends on issues relating to Training Needs, Job Transfers, Staff Recruitment, Staff Placements, Promotions, Demotions, Discipline and Staff Welfare. The committee held 3 meetings during the period under review.

## c) Finance Investment and Tender Oversight Committee of the Board

The membership of the Finance Investment and Tender Oversight Committee comprises of Mutwiri Ikiao (Chairman), Everest Lenjo, Gladys Mboya and Mutua Kilaka. The Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, ICT, procurement and investment strategies, policies, projects and related activities. The committee held 5 meetings during the period under review.

## Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Corporation. As an integral strategy in achieving its corporate goals the Board ensures that an optimal mix between risks and returns is maintained. To achieve this goal a risk management programme has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Corporation to achieve its objectives.

## Creating Shareholders' Value

In order to assure the shareholder of the commitment to activities that create and enhance shareholder value, the Board signs a performance contract and continue to perform an annual evaluation exercise to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year.

## Directors Emoluments and Loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2009 are disclosed in the notes to the financial statements under note 41. Non- executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Corporation's shares. Lending to Board of Directors as at the end of the year is disclosed in the financial statements under note 41. Directors interest in the shares of the Corporation and the distribution of the Corporation's shareholding and analysis of the ten largest shareholders as at 31 December 2009 were as follows:

### Director's interests as at 31 December 2009

Name of directors	Number of shares	% Shareholding
Permanent Secretary to the Treasury of Kenya	360,000,000	60.000
Nelius Kariuki	33,009	0.006
Eunice Mbogo	25,143	0.004
Gladys Mboya	15,772	0.003
Dr. Iruki Kailemia	1,318	0.000
Jacob Haji Ali	1,203	0.000
Everest Lenjo	72	0.000
Mutwiri Ikiao	0	0.000
Nelson Chege Kuria	0	0.000
	360,076,517	60.01

# Corporate Governance Statement (continued)

Shareholders' Profile as at 31st December, 2009	Number of Shareholders	Number of Shares Held	% of Issued Share Capital
Kenyan Individual Investors	116,294	120,978,783	20.163
Kenyan Institutional Investors	8,066	471,902,719	78.650
East African Individual Investors	276	808,106	0.135
East African Institutional Investors	23	909,127	0.152
Foreign Individual Investors	570	2,058,580	0.343
Foreign Institutional Investors	40	3,342,685	0.557
	125,269	600,000,000	100.00

Major Shareholders	Number of shares	% Shareholding
Permanent Secretary to the Treasury of Kenya	360,000,000	60.000
National Social Security Fund	20,089,638	3.348
Barclays Bank (Kenya) Nominees Limited a/c 9230	6,477,129	1.080
Mahendra Kumar Khetschi Shah	3,474,170	0.579
Cannon Assurance (Kenya) Limited	3,365,600	0.561
Paul Wanderi Ndungu	3,050,200	0.508
Continental Reinsurance Plc Nigeria	2,768,842	0.461
Barclays Bank (Kenya) nominees Limited a/c 9187	2,476,135	0.413
CFC Stanbic Nominees Limited a/c r80001	2,414,811	0.402
Kenindia Assurance Company Limited pension fund	2,148,392	0.358
	406,264,917	67.711

## Summary of Totals

Shares Range	Shareholders	Number of Shares	% Shareholding
1 to 1,000	102,930	31,992,331	5.33
1,001 to 5,000	18,513	34,311,922	5.72
5,001 to 10,000	1,980	13,744,947	2.29
10,001 to 100,000	1,655	41,931,548	6.99
100,001 to 1,000,000	165	50,321,673	8.39
1,000,001 to 5,000,000	23	41,130,812	6.86
5,000,001 to 10,000,000	1	6,477,129	1.08
10,000,001 & above	2	380,089,638	63.35
	125,269	600,000,000	100.00

Kenya Re in 2009 continued to transform the lives of thousands of Kenyans by donating to various projects and initiatives which included a children's home in Mukaa, Makueni District and also gave both material and financial support to the internally displaced persons (IDPs). Kenya Re is privileged to be able to make a difference to these less fortunate members of our society.

Going forward, the board envisions a larger societal purpose for the corporation and proposes to have a CSR policy that aims at creating a more secure, sustainable and inclusive future for the nation. The board acknowledges that CSR has a compelling value proposition and resolved to have it as an integral part of business strategy. It is the Corporation's desire to measure its accomplishments beyond the financial performance. The Corporation has drafted a suitable CSR policy that is all inclusive which aligns corporate strategy to national priorities.

The Board wishes to thank all its valued shareholders for their confidence in Kenya Re. We look forward to continued support as we implement the policy which hopefully, will not only scale up community involvement but will also forge a more prosperous future for the nation.



*Kenya Re staff with children from Mukaa Children's Home Makueni District donating food stuffs, clothing and a water tank*

**Kenya Reinsurance Corporation Limited**  
**Actuarial Valuation of the Life Fund as at 31 December 2009**

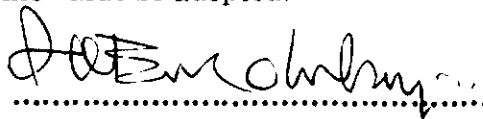
## Actuary's Certificate

I, James Israel Omanyala Olubayi of Alexander Forbes Financial Services (EA) Ltd, Landmark Plaza, 10th Floor, Landmark Plaza Argwings Kodhek, P.O. Box 52439 Nairobi, being an Actuary duly qualified in terms of Section 2 of the Insurance Act having conducted an investigation in terms of Sections 57 and 58 of that Act as at 31 December 2009 do hereby certify as under:-

- (a) that in my opinion the value placed upon the aggregate liabilities relating to the Statutory Funds of Kenya Reinsurance Corporation Limited in respect of policies on the basis of valuation adopted by me is not less than what it would have been if the aggregate value had been calculated on the minimum basis prescribed;
- (b) that necessary steps as required under Section 58 (5) (a) were taken; and
- (c) that I am satisfied that the valuation of assets adopted by me are, on the basis of the Auditor's certificates appended to the balance sheet, fully of the value so adopted.

27 APRIL 2010

**Date**

  
.....

**James I. O. Olubayi**

**Fellow of the Institute of Actuaries**



REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2009

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out as pages 32 to 72 which comprise the Statement of Financial Position as at 31 December 2009, the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash flows for the year then ended and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Deloitte and Touché, auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

#### Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that 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 the auditor's 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, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

# Report of Controller and Auditor General (continued)

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

## Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2009, and its financial performance and its cash flows for the year ended in accordance with the International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.



A.S.M. Gatumbu

**CONTROLLER AND AUDITOR GENERAL**

Nairobi

27 April, 2010



## RIPOTI YA MSIMAMIZI NA MKAGUZI MKUU WA HESABU KUHUSIANA NA TAARIFA ZA KIFEDHA ZA SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED KWA MWAKA ULIOMALIZIKIA DESEMBA 31, 2009.

Taarifa za kifedha zilizoambatanishwa hapa za shirika la Kenya Reinsurance Corporation Limited katika ukurasa wa 32 hadi 72 ambazo zinajumuisha Taarifa ya Nafasi ya Kifedha kufikia tarehe 31 Desemba 2009, Taarifa ya Mapato Kamili, Taarifa ya Mabadiliko ya Usawa wa Fedha, na Taarifa ya Uzalishaji wa Fedha kwa mwaka huo uliomalizikia na maelezo mafupi ya sera za uhasibu na habari nyingine za maelezo ambazo zimekaguliwa kwa niaba yangu na Deloitte and Touche, wakaguzi waliochaguliwa chini ya Sehemu ya 39 ya Kifungu cha Sheria ya Ukaguzi wa Matumizi ya Fedha za Umma, mnamo 2003, Wakaguzi wa hesabu wameniripoti matokeo ya ukaguzi wao na msingi wa ripoti yao. Nimeridhika kwamba habari na maelezo yote ambayo kulingana na ujuzi na imani yangu, zilifaa kwa madhumuni ya ukaguzi uliopatikana.

### Wajibu wa Usimamizi kwa Taarifa za Kifedha

Usimamizi wa shirika una wajibu wa kutayarisha na kuwasilisha taarifa za sawa za kifedha kulingana na Taasisi ya Kimataifa ya Kuripoti Viwango vya Ubora vya Kifedha yaani (International Financial Reporting Standards) na kwa vidhibiti vya ndani vya mfano huo, kama usimamizi unavyoamua ni muhimu sana ili kuwezesha utayarishaji wa taarifa za kifedha ambazo hazina taarifa za kupotosha, kwa sababu ya makosa ama udanganyifu.

### Wajibu wa Msimamizi na Mkaguzi Mkuu wa Hesabu

Wajibu wangu ni kuelezea maoni huru kuhusiana na taarifa za kifedha kulingana na ukaguzi. Ukaguzi wa matumizi ya kifedha, uliendeshwa kulingana na Viwango vya Ubora vya Kimataifa kuhusu Ukaguzi wa Hesabu. Viwango hivyo vinahitaji kulingana na misingi ya maadili na kwamba ukaguzi upangwe na kutekelezwa kwa lengo la kupata hakikisho linalofaa kuwa taarifa za kifedha hazina maelezo ya kupotosha.

Ukaguzi wa matumizi ya pesa huhusisha kutekeleza taratibu za kupata ushahidi kuhusu kiwango na yaliyofichuliwa katika taarifa za kifedha. Taratibu zinazochaguliwa zinategemea uamuzi wa mkaguzi, ambazo ni pamoja na kuchunguza athari za taarifa za kupotosha za taarifa za kifedha, kwa sababu ya makosa ama udanganyifu.

Katika kufanya uchunguzi huo wa hatari, mkaguzi huangalia vidhibiti vya ndani vinavyofaa kutayarisha biashara na kuwasilisha taarifa za sawa za kifedha ili kuunda taratibu za ukaguzi ambazo zinafaa katika hali, lakini sio kwa madhumuni ya kuelezea maoni kuhusu ubora wa vidhibiti vya ndani vya Shirika. Ukaguzi wa matumizi ya fedha pia hujumuisha kutathmini kama sera za uhasibu zilizotumika zinafaa na makadirio ya uhasibu yanayoeleweka ambayo hutolewa na Wasimamizi, pamoja na kutathmini mawasilisho ya jumla kwa taarifa za kifedha.

Nauamini ushahidi wa ukaguzi wa matumizi ya fedha uliopatikana ambao unatosha na unafaa kutoa msingi kamili wa maoni yangu.

### Maoni

Kwa maoni yangu, taarifa hizi za kifedha zinawasilisha ripoti kamilifu na sawa, na kwa kiasi kikubwa, kuheshimu nafasi ya kifedha ya Shirika kufikia Desemba 31 2009, na matokeo yake na pamoja na fedha zilizoingia kwa mwaka uliomalizika kulingana na Taasisi ya Kimataifa ya Kuripoti Viwango vya Ubora vya Kifedha yaani (International Financial Reporting Standards) na kuambatana na Kifungu cha Sheria cha Kampuni, Sehemu ya 486 ya Sheria za Kenya.

A.S.M GATUMBU

MSIMAMIZI NA MKAGUZI MKUU WA HESABU  
NAIROBI

APRILI 27 2010

# Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	Long term business 2009 Sh'000	Short term business 2009 Sh'000	Total 2009 Sh'000	Total 2008 Restated Sh'000
<b>INCOME</b>					
Gross earned premiums	6	634,612	3,073,414	3,708,026	3,427,810
Less: retrocession premiums		(82,139)	(168,037)	(250,176)	(318,719)
<b>NET EARNED PREMIUMS</b>		<b>552,473</b>	<b>2,905,377</b>	<b>3,457,850</b>	<b>3,109,091</b>
Investment income	7	208,107	932,777	1,140,884	1,040,065
Commissions receivable		11,808	1,034	12,842	14,169
Fair value gains on revaluation of investment properties	14	58,000	252,000	310,000	565,000
<b>NET INCOME</b>		<b>830,388</b>	<b>4,091,188</b>	<b>4,921,576</b>	<b>4,728,325</b>
Gross claims incurred		(405,751)	(1,553,335)	(1,959,086)	(1,564,779)
Amounts recoverable from retrocessionaires		60,226	69,225	129,451	156,919
<b>NET CLAIMS INCURRED</b>	8	<b>(345,525)</b>	<b>(1,484,110)</b>	<b>(1,829,635)</b>	<b>(1,407,860)</b>
Commissions payable		(172,593)	(895,678)	(1,068,271)	(991,528)
Operating and other expenses	9	(78,253)	(583,966)	(662,219)	(585,302)
<b>TOTAL EXPENSES</b>		<b>(250,846)</b>	<b>(1,479,644)</b>	<b>(1,730,490)</b>	<b>(1,576,830)</b>
<b>SHARE OF PROFIT IN ASSOCIATE COMPANY</b>	17	<b>-</b>	<b>102,411</b>	<b>102,411</b>	<b>33,391</b>
<b>PROFIT BEFORE TAXATION</b>		<b>234,017</b>	<b>1,229,845</b>	<b>1,463,862</b>	<b>1,777,026</b>
<b>TAXATION</b>	11(a)	<b>(1,380)</b>	<b>(133,578)</b>	<b>(134,958)</b>	<b>(277,915)</b>
<b>PROFIT FOR THE YEAR</b>		<b>232,637</b>	<b>1,096,267</b>	<b>1,328,904</b>	<b>1,499,111</b>
<b>OTHER COMPREHENSIVE LOSS</b>					
Fair value loss arising on revaluation of available-for-sale financial assets	28	-	(60,283)	(60,283)	(493,228)
Reclassification adjustments relating to available-for-sale financial assets disposed in the year		-	(144,000)	(144,000)	(101,546)
Surplus on revaluation of equipment		-	-	-	9,427
Deferred taxation thereon	18	-	-	-	(1,885)
Share of movement in associate reserves	17	-	(4,092)	(4,092)	92,764
<b>TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR NET OF TAX</b>		<b>-</b>	<b>(208,375)</b>	<b>(208,375)</b>	<b>(494,468)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>232,637</b>	<b>887,892</b>	<b>1,120,529</b>	<b>1,004,643</b>
<b>EARNINGS PER SHARE - basic and diluted</b>	12			<b>2.21</b>	<b>2.50</b>

# Statement of Financial Position

As at 31 December 2009

	Notes	Long term business 2009 Sh'000	Short term business 2009 Sh'000	Total 2009 Sh'000	Total 31.12.2008 Restated Sh'000	Total 01.01.2008 Restated Sh'000
<b>ASSETS</b>						
Investment properties	14	833,000	3,322,000	4,155,000	3,845,000	3,335,620
Equipment	15	-	27,910	27,910	24,481	21,826
Intangible assets	16	-	28,101	28,101	11,738	4,280
Investment in associate	17	-	713,199	713,199	614,880	318,680
Deferred taxation asset	18	-	99,627	99,627	73,421	68,356
Deferred acquisition costs	19	-	370,800	370,800	338,446	320,435
Unquoted equity instruments	20	-	66,287	66,287	37,307	39,149
Inventories	21	-	54,069	54,069	54,069	468,324
Non current assets held for sale	22	-	536,858	536,858	536,858	316,729
Mortgage loans	23	-	404,682	404,682	462,799	710,543
Tax recoverable	11(c)	-	153,567	153,567	-	-
Receivables arising out of reinsurance arrangements	24	82,477	1,441,303	1,523,780	1,499,842	1,349,624
Premium and loss reserves	25	-	431,761	431,761	290,555	215,448
Other receivables	26	-	74,632	74,632	33,942	66,679
Corporate bonds	27	-	48,379	48,379	-	-
Quoted equity instruments	28	-	2,007,648	2,007,648	2,214,146	2,698,423
Government securities	29	1,492,676	1,639,352	3,132,028	2,836,863	2,549,650
Deposits with financial institutions	30	364,843	525,876	890,719	925,508	597,025
Cash and cash equivalents		656	280,930	281,586	141,255	139,202
<b>TOTAL ASSETS</b>		<b>2,773,652</b>	<b>12,226,981</b>	<b>15,000,633</b>	<b>13,941,110</b>	<b>13,219,993</b>
<b>EQUITY</b>						
Share capital	31	-	1,500,000	1,500,000	1,500,000	1,500,000
Revaluation reserve		-	10,460	10,460	7,383	17,088
Fair value reserve		-	1,539,783	1,539,783	1,757,792	2,369,946
Translation reserve		-	69,609	69,609	64,294	(45,905)
Statutory reserve	32	706,710	-	706,710	474,073	172,774
Retained earnings			5,273,363	5,273,363	4,475,854	3,470,850
<b>Shareholders' funds</b>		<b>706,710</b>	<b>8,393,215</b>	<b>9,099,925</b>	<b>8,279,396</b>	<b>7,484,753</b>
<b>LIABILITIES</b>						
Long term reinsurance contract liabilities	32	2,054,494	-	2,054,494	1,926,354	2,084,071
Short term reinsurance contracts liabilities	33	-	2,205,597	2,205,597	2,016,240	2,014,679
Unearned premiums	34	-	1,216,440	1,216,440	1,080,716	1,046,916
Payables arising out of reinsurance arrangements	35	11,068	207,207	218,275	356,228	96,944
Defined benefit liability	36	-	33,718	33,718	47,686	39,926
Other payables	37	-	170,804	170,804	147,097	444,743
Taxation payable	11(c)	1,380	-	1,380	87,393	7,961
<b>TOTAL LIABILITIES</b>		<b>2,066,942</b>	<b>3,833,766</b>	<b>5,900,708</b>	<b>5,661,714</b>	<b>5,735,240</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,773,652</b>	<b>12,226,981</b>	<b>15,000,633</b>	<b>13,941,110</b>	<b>13,219,993</b>

The financial statements on pages 32 to 72 were approved by the board of directors on 28 April 2010 and were signed on its behalf by:

Mr. Jadia Mwarania  
Acting Principal Officer

Mrs. Nelius Kariuki  
Director

Mr. Mutwiri Ikiao  
Director

# Statement of Changes in Equity

For the year ended 31 December 2009

Note	Share capital Sh '000	Revaluation reserve Sh '000	Fair value reserve Sh '000	Translation reserve Sh '000	Statutory reserve Sh '000	Retained earnings Sh '000	Total Sh '000
At 1 January 2008	1,500,000	17,088	2,369,946	(45,905)	172,774	3,213,352	7,227,255
Prior year adjustments							
- Foreign exchange differences cedant balances *	-	-	-	-	-	(62,937)	(62,937)
- Deferred acquisition costs **	-	-	-	-	-	320,435	320,435
At 1 January 2008 - As restated	1,500,000	17,088	2,369,946	(45,905)	172,774	3,470,850	7,484,753
Profit for the year - restated	-	-	-	-	301,299	1,197,812	1,499,111
Other comprehensive income	-	7,487	(612,154)	110,199	-	-	(494,468)
Total comprehensive income for the year	-	7,487	(612,154)	110,199	301,299	1,197,812	1,004,643
Transfer of excess depreciation - prior years	-	(17,192)	-	-	-	17,192	-
Dividends declared - 2007	13	-	-	-	-	(210,000)	(210,000)
At 31 December 2008	1,500,000	7,383	1,757,792	64,294	474,073	4,475,854	8,279,396
At 1 January 2009 - As previously stated	-	-	-	-	-	4,457,843	4,457,843
Prior year adjustment - Deferred acquisition costs **	-	-	-	-	-	18,011	18,011
At 1 January 2009 - As restated	1,500,000	7,383	1,757,792	64,294	474,073	4,475,854	8,279,396
Profit for the year	-	-	-	-	232,637	1,096,267	1,328,904
Other comprehensive income	-	4,319	(218,009)	5,315	-	-	(208,375)
Total comprehensive income for the year	-	4,319	(218,009)	5,315	232,637	1,096,267	1,120,529
Dividends declared - 2008	13	-	-	-	-	(300,000)	(300,000)
Transfer of excess depreciation	-	(1,553)	-	-	-	1,553	-
Deferred taxation thereon	-	311	-	-	-	(311)	-
At 31 December 2009	1,500,000	10,460	1,539,783	69,609	706,710	5,273,363	9,099,925

Included in retained earnings are reserves amounting to Sh 1,168,981,010 (2008 - Sh 858,981,010) relating to fair value gain on investment properties.

The prior year adjustments relate to:

\* Recognition of foreign exchange differences relating to cedant balances relating to prior years

\*\* Relates to retrospective adjustment for change in accounting policy to adhere to the requirements of IFRS 4 Insurance Contracts that requires the recognition of deferred acquisition costs as follows:

Retained earnings 2007	Sh '000
Profit for 2008	320,435
Total deferred acquisition costs 31 December 2008	18,011
	338,446

# Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 Sh '000	2008 Sh '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	38	1,064,196	906,175
Tax paid	11(c)	(400,744)	(205,434)
<b>Net cash generated from operating activities</b>		<b>663,452</b>	<b>700,741</b>
<b>Cash flows from investing activities</b>			
Proceeds on sale of non-current assets held for sale		-	190,000
Purchase of equipment	15	(9,744)	(5,864)
Proceeds on disposal of equipment		1,828	-
Purchase of intangibles	16	(22,573)	(11,976)
Purchase of shares in associate	17	-	(170,045)
Purchase of government securities		(2,349,938)	(602,392)
Sale of government securities		2,205,200	-
Purchase of quoted equity instruments	28	-	(111,903)
Proceeds on sale of quoted equity instruments		144,124	120,594
Purchase of corporate bonds		(47,400)	-
Proceeds on disposal of inventories		-	34,200
Proceeds on sale of investment property		-	82,000
Purchase of unquoted shares		(28,980)	-
<b>Net cash used in investing activities</b>		<b>(107,483)</b>	<b>(475,386)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	13	(300,000)	(210,000)
<b>Net increase in cash and cash equivalents</b>		<b>255,969</b>	<b>15,355</b>
Cash and cash equivalents at 1 January		1,474,775	1,459,420
<b>Cash and cash equivalents at 31 December</b>	<b>39</b>	<b>1,730,744</b>	<b>1,474,775</b>

# Notes to the Financial Statements

For the year ended 31 December 2009

## 1 ACCOUNTING POLICIES

### a) Statement of compliance

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

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

### b) 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.

- IFRS 2 'Share based payment-vesting conditions and cancellations' (amendment) – effective 1 January 2009.

The amendment clarifies that vesting conditions are service conditions and performance conditions only, and as such, any other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of the amendment does not have an impact on the financial position or the comprehensive income of the Corporation.

- 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. The adoption of the amendment does not have an impact on the financial position or the comprehensive income of the Corporation.

- IFRS 8 'Operating segments' – effective 1 January 2009

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision-Maker.

- 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 Corporation 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 to 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 Corporation also adopted the use of the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flows' to describe the 'balance sheet' and cash flows statement respectively.

## 1 ACCOUNTING POLICIES (Continued)

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

#### (ii) *Standards and interpretations effective in 2009, but not relevant for the Corporation's operations:*

The following new and revised standards and interpretations are effective in the current financial year. Their adoption has not had any significant impact on amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- 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).
- IAS 20: Accounting for Government Grants and Disclosure of Government Assistance (effective for accounting periods beginning on or after 1 January 2009).
- IAS 23, Borrowing Costs, Comprehensive revision to prohibit immediate expensing and amendments resulting from May 2009 improvements to IFRSs (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).
- 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 financial instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- IAS 40: Investment Property amendments (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 13: Customer loyalty programmes (effective for accounting periods beginning on or after 1 July 2008).
- IFRIC 15: Agreement for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 16: Hedges of a net investment in a foreign operation (effective for accounting periods beginning on or after 1 October 2008).

#### (iii) *Standards and interpretations issued but not yet effective*

The following standards and interpretations have been issued and are effective for accounts beginning on or after 1 July or later periods.

- IFRS 3: (revised) 'Business Combinations' - Comprehensive revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009).
- IFRS 9, 'Financial instruments part 1: Classification and measurement' - replaces those parts of IAS 39 relating to the classification and measurement of financial assets (effective for accounting periods beginning on or after 1 January 2013).
- 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 36: Impairment of Assets: Amendment relating the unit of accounting for goodwill impairment test (effective for accounting periods beginning on or after 1 January 2010).

# Notes to the Financial Statements

For the year ended 31 December 2009

## 1 ACCOUNTING POLICIES (Continued)

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

#### (iii) *Standards and interpretations issued but not yet effective*

- IAS 38, intangible Assets: Amendment for measuring the fair value of an intangible asset acquired in a business combination (effective for accounting periods beginning on or after 1 January 2010)
- IAS 39: Financial Instruments: Recognition and Measurement – Eligible hedged items Amendments to clarify the accounting for embedded derivatives when reclassifying financial instruments (effective for annual periods ending on or after 30 June 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).

#### (iv) *Early adoption of standards*

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

### c) Significant accounting policies

#### Basis of preparation

The financial statements are prepared under the historical cost convention as modified to include the revaluation of certain assets.

#### Reinsurance contracts

##### (i) Classification

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

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

##### a. Short-term reinsurance business

Short term reinsurance business refers to reinsurance business of any class or classes that is not long term reinsurance business.

Classes of short term reinsurance include Aviation, Engineering, Fire (domestic risks, industrial and commercial risks), Liability, Marine, Motor (private vehicles and commercial vehicles), Personal Accident, Theft, Workmen's Compensation, Employer's Liability and Miscellaneous (i.e. any class of business not included under those listed above). The Corporation's main classes are described below:

- Motor reinsurance business means the business of effecting and carrying out contracts of reinsurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.



## 1 ACCOUNTING POLICIES (Continued)

### c) Significant accounting policies (Continued)

#### a. Short-term reinsurance business (Continued)

- Miscellaneous reinsurance business means the business of effecting and carrying out contracts of reinsurance which are not principally or wholly of any types included in other classes of business but shall include reinsurance of bonds of all types, reinsurance of livestock and crop reinsurance.
- Fire reinsurance business means the business of effecting and carrying out contracts of reinsurance, otherwise than incidental to some other class of reinsurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

#### b. Long-term reinsurance business

Includes reinsurance business of all or any of the following classes, namely, ordinary life reinsurance business, and group life reinsurance business and business incidental to any such class of business.

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

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

#### (ii) Recognition and measurement

The results of the reinsurance business are determined on an annual basis as follows:

##### a. Premium income

Premiums and related expenses are accounted for in the profit or loss when advised by the ceding companies. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period and are estimated at 40% of net premiums.

##### b. Claims incurred

Claims incurred comprise claims paid in the period and changes in the provision for outstanding claims. Claims paid represent all payments made during the period, 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 reporting date, 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 period are closed and include provisions for claims incurred but not reported ("IBNR").

## 1 ACCOUNTING POLICIES (Continued)

### c) Significant accounting policies (Continued)

#### (ii) Recognition and measurement (Continued)

##### c. Commissions payable and deferred acquisition costs

A proportion of commissions payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of commissions payable and other acquisition costs that relate to the unexpired term of the policies that are in force at the year end.

##### d. Liability adequacy test

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

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

##### e. Retrocession contracts held

Contracts entered into by the Corporation with retrocessionnaires under which the Corporation is compensated for losses on one or more contracts issued by the Corporation and that meet the classification requirements for reinsurance contracts are classified as retrocession contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Contracts entered into by the Corporation with retrocessionnaires under which the Corporation is compensated for losses on one or more contracts issued by the Corporation and that meet the classification requirements for reinsurance contracts are classified as retrocession contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

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

The Corporation assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Corporation reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Corporation gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

## 1 ACCOUNTING POLICIES (Continued)

### c) Significant accounting policies (Continued)

#### (ii) Recognition and measurement (Continued)

##### f. Receivable and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from cedants and brokers.

If there is objective evidence that the reinsurance receivable is impaired, the Corporation reduces the carrying amount of the reinsurance receivable accordingly and recognises that impairment loss in the profit or loss statement. The Corporation gathers the objective evidence that a reinsurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

##### g. Premium and loss reserves

Premium and loss reserves relate to premiums retained by cedants as a deposit for due performance of obligations by the reinsurers. The percentage retained varies from one treaty to another and from one company to another. Premium and loss reserves are recognised when retained by the cedants. Premiums retained are subsequently released to the reinsurer at the expiry of the policy period.

#### Other income recognition

Commissions receivable are recognised as income in the period in which they are earned.

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

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

#### Foreign currency transactions

Transactions in foreign currencies during the period are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Kenya Shillings at rates ruling at the reporting date. The resulting differences are dealt with in the profit or loss in the period in which they arise.

#### Taxation

Tax expense/(income) comprises current tax and deferred tax. Tax is recognised as an expense/(income) and included in the profit or loss except to the extent that the tax arises from a transaction that is recognised in other comprehensive income. Current tax is computed in accordance with the Kenyan income tax laws applicable to insurance companies and newly listed companies.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the end of each reporting period are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 1 ACCOUNTING POLICIES (Continued)

### c) Significant accounting policies (Continued)

#### Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment properties are carried at fair value, representing market value determined by external independent valuers. Changes in their carrying value between reporting dates are included in the profit or loss in the period they arise. On disposal of an investment property, the difference between the proceeds and the carrying value is charged or credited to the profit or loss.

#### Equipment

Equipment are stated at cost or valuation less depreciation and any accumulated impairment losses.

Equipment is revalued at periodic intervals, usually every three to five years. The basis of valuation is depreciated replacement cost.

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

#### Depreciation

Depreciation is calculated on the straight line basis to write off the cost or valuation of the equipment over their expected useful lives at the following annual rates:-

Computer equipment	25.0%
Motor vehicles	25.0%
Furniture, fittings and equipment	12.5%

#### Intangible assets

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

#### Impairment

At each reporting date, the Corporation 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 Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Any impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## 1 ACCOUNTING POLICIES (Continued)

### c) Significant accounting policies (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Non current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and the market value less costs to sell.

#### Leases

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

#### *Corporation as a lessor*

Rental income from operating leases is recognised on the straight line basis over the term of the relevant lease.

#### *Corporation as a lessee*

Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the term of the relevant lease. Any payment required to be made to the lessor by way of penalty, for termination of leases before the expiry of the lease period, is recognised in the year in which termination takes place.

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

#### Inventories

Inventories comprise housing units for sale.

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Revaluation reserve

The revaluation reserve relates to equipment. The reserve is non-distributable.

The revaluation surplus represents the surplus on the revaluation of equipment, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity.

#### Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

## I ACCOUNTING POLICIES (Continued)

### c) Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### Translation reserve

The translation reserve relates to cumulative foreign exchange movement on the net investment in PTA Re, an associate company accounted for under the equity method.

##### Statutory reserve

The statutory reserve represents actuarial surpluses from the long term business whose distribution is subject to restrictions imposed by the Kenyan Insurance Act. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated profits of the long term business.

##### Investments in associates

Investments in associates are accounted for using the equity method of accounting. These are companies in which the Corporation has between 20% and 50% of the voting rights and over which the Corporation exercises significant influence but which it does not control. Significant influence is the power to participate in financial and operating policy decisions of the investment but it is not control or joint control over those policies.

Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Corporation's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Corporation's interest in that associate are recognised only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate.

##### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or liability is recognised when the company becomes party to the contractual provisions of the instrument.

##### *Financial assets*

The Corporation classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date. The classification depends on the purpose for which the financial assets were acquired.

##### Classification

###### *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 in this category if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit making, 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. They arise when the Corporation provides money directly to a debtor with no intention of trading the receivable. These include mortgage loans, receivables arising out of reinsurance arrangements, premium and loss reserves and other receivables.

## 1 ACCOUNTING POLICIES (Continued)

### c) Significant accounting policies (Continued)

#### *Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Were the Corporation to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. This class includes government securities, deposits with financial institution and corporate bonds.

#### *Available-for-sale financial assets*

This category represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity. This class includes quoted and unquoted equity instruments.

#### *Recognition*

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

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 investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments fair value reserve is reclassified to profit or loss.

#### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Corporation has transferred substantially all risks and rewards of ownership.

#### *Financial liabilities*

All financial liabilities are classified as other financial liabilities and are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### *Employee entitlements*

Entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued on the reporting date.

#### *Cash and cash equivalents*

Cash and cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 1 ACCOUNTING POLICIES (Continued)

### c) Significant accounting policies (Continued)

#### Retirement benefits obligations

##### *Defined benefit scheme*

The Corporation operates a defined benefits pension scheme for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employees and the employer. Contributions are determined by the rules of the scheme. The cost of providing retirement benefits is assessed using the attained age method by qualified actuaries. The scheme is valued annually.

The retirement benefit liability recognized in the statement of financial position represents the difference between the value of past service pension benefit and the fair value of scheme assets.

##### *Statutory defined contributions scheme*

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

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

#### Dividends

Dividends payable to shareholders are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

#### Comparatives

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

## 2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *The ultimate liability arising from claims payable under reinsurance contracts*

The assumption is based on an actuarial model which relies on the basic chain ladder statistical method. This method relies on paid claims data in order to derive estimates of the outstanding claims reserves including IBNR as at the reporting date. The method relies on the accuracy of the past claims data and past claims trends in order to project future estimates. The method also assumes implicitly that the weighted average of past claims inflation will be repeated in the future. The statistical method used takes the past trends of claims run-off for each class of business and projects these trends to the future. Accordingly, the statistical method used will not produce reliable results if the fundamental assumption of a stable pattern of past trends of claims is not fulfilled.



## 2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### *Impairment losses*

At each reporting date, the Corporation 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 Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs. Determining whether assets are impaired requires an estimation of the value of the assets.

### *Useful lives of equipment and intangible assets*

The Corporation reviews the estimated useful lives equipment and intangible assets at the end of each annual reporting period.

## 3 RISK MANAGEMENT

### FINANCIAL RISK

The Corporation's activities expose it to a variety of financial risks, including liquidity risk, credit risk and the market risk comprising effects of changes in foreign currency exchange rates and interest rates. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and services offered. The Corporation, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees/stakeholders understand their roles and obligations.

#### (a) Liquidity risk

Liquidity risk is current or prospective risk to earnings and capital arising from the Corporation's failure to meet its maturing obligations when they fall due without incurring unacceptable losses. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

To this end, there is a Board approved policy to effectively manage liquidity at all times to meet claims payable, regulatory requirements (cash reserve ratio), unexpected outflow/non-receipt of expected inflow of funds as well as ensure adequate diversification of funding sources. The Investment Committee undertakes Statement of financial position liquidity management and scenario analysis as per the policy on a bi-weekly basis.

Funds are raised mainly from reinsurance premiums and investment income and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Corporation continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Corporation strategy.

In addition the Corporation holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The table below analyses the liquidity position of the Corporation's financial liabilities. The amounts disclosed in the table below are the contractual undiscounted cash flows.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 3 RISK MANAGEMENT (Continued)

	Due on demand Sh '000	Due after 1 year Sh '000	Total Sh '000
31 December 2009:			
Long term reinsurance contract liabilities	-	2,054,494	2,054,494
Short term insurance contract liabilities	2,205,597	-	2,205,597
Payables arising out of reinsurance arrangements	218,275	-	218,275
<b>Total financial liabilities</b>	<b>2,423,872</b>	<b>2,054,494</b>	<b>4,478,366</b>

### 31 December 2008:

Long-term reinsurance liabilities	-	1,926,354	1,926,354
Short term insurance contract liabilities	2,016,240	-	2,016,240
Payables arising out of reinsurance arrangements	356,228	-	356,228
<b>Total financial liabilities</b>	<b>2,372,468</b>	<b>1,926,354</b>	<b>4,298,822</b>

The Kenyan Insurance Act requires that:

- An insurer carrying on in Kenya long term insurance business but not general insurance business shall keep at all times admitted assets of not less than the aggregate value of his admitted liabilities and one million shillings.
- An insurer carrying on in Kenya general insurance business but not long term insurance business shall keep at all times admitted assets of not less than the aggregate value of his admitted liabilities and ten million shillings, or fifteen per cent of his net premium income during his last preceding financial year, whichever is the greater.
- An insurer carrying on both long term and general insurance business shall at all times maintain separate margins of solvency

### (b) Market risk

#### *Management of market risk*

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk is vested in the board of directors. The board of directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

#### *(i) Interest rate risk*

##### *Exposure to interest rate risk*

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

## 3 RISK MANAGEMENT (Continued)

### (i) Interest rate risk

#### *Exposure to interest rate risk (Continued)*

to interest rate risks and the Corporation's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

#### *Sensitivity analysis interest rate risk*

The interest earning financial assets that the Corporation holds include investments in government securities, mortgage loans and short-term deposits.

Liabilities under short term insurance contracts are not interest bearing. For liabilities under long term re-insurance contracts, with fixed terms, changes in interest rate will not cause a change to the amount of the liability.

An increase/decrease of 5 percentage points in interest yields would result in a increase/(decrease) in profit before tax for the year by Sh 216,314,900 (2008: Sh 190,857,881).

### (i) Currency rate risk

The Corporation underwrites reinsurance contracts from cedants in various currencies. The Corporation invests in assets denominated in the same currencies as their insurance liabilities, which eliminates the foreign currency exchange rate risk.

### (ii) Price risk

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

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

If equity market indices had increased/decreased by 5%, with all other variables held constant, the revaluation reserve for the year would increase/decrease by Sh 110,733,066 (2008: Sh 121,442,534).

### c) Credit risk

The Corporation has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Corporation manages limits and controls concentration of credit risks periodically against internal and regulatory requirements with respect to individual counterparties or related groups of counterparties, industry sectors, business lines, product types, amongst others.

Key areas where the Corporation is exposed to credit risk are:

- amounts due from reinsurers in respect of claims already paid;
- amounts due from cedants;
- amounts due from re-insurance intermediaries; and
- mortgage advances to its customers and staff.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 3 RISK MANAGEMENT (Continued)

### c) Credit risk (Continued)

The Corporation structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or Corporations of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

The creditworthiness of cedants is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Corporation maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Corporation. Management information reported to the Board of Directors includes details of provisions for impairment on due from cedants and subsequent write-offs.

Investments in government securities are deemed adequately secured by the Government of Kenya with no inherent default risk

The credit risk on the corporate bonds, deposits and balances with financial institutions is considered to be low because the counterparties are companies and banks with high credit ratings.

The credit risk on mortgages is managed by ensuring that the mortgage issued is secured by the related property and that the mortgage amount given is below the value of the related property.

The following table details the maximum exposure before consideration of any collateral:

	2009 Sh'000	2008 Sh'000	01.01.2008 Sh'000
Held to maturity instruments			
Government securities	3,132,028	2,836,863	2,549,650
Deposits with financial institutions	890,719	925,508	597,025
Cash and bank balances	281,586	141,255	130,202
Corporate bonds	48,379	-	-
Loans and receivables at amortized cost			
Mortgage loans	404,682	462,799	710,543
Receivables arising out of reinsurance arrangements	1,523,780	1,499,825	1,412,561
Premium and loss reserves	431,761	290,555	215,447
Other receivables	74,632	33,942	66,679
<b>Total assets bearing credit risk</b>	<b>6,787,567</b>	<b>6,190,747</b>	<b>5,682,107</b>

Mortgage loans are secured by collateral in the form of charges by the Corporation over the related property. While collateral is an important mitigate to credit risk, the Corporation's policy is to establish that mortgage loans are within the capacity of the customer to repay, as the primary way out.

The debts that are past due are not impaired and continue to be paid. The debts that are impaired have been fully provided for. However, the finance department is following up on the impaired debt and past due debts.

## 3 RISK MANAGEMENT (Continued)

### e) Concentration Risk

There is no concentration risk as the financial assets portfolio is diversified.

### REINSURANCE RISK

The Corporation reinsures all classes of insurance business including accident, engineering, liability, motor, fire, aviation and life. The bulk of the business written is of a short-tail nature.

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

The Corporation has developed a detailed underwriting procedures manual covering risk acceptance criteria, pricing, accumulation control, authority levels and reinsurance protection. The procedures guide the underwriters in their acceptances, on the principles of prudence and professionalism as well as with an overall objective of diversifying the type insurance risks accepted.

The Corporation enters into retrocession arrangements with reputable retrocessionaires to diversify its risks and reduce the risk catastrophic loss on reinsurance assumed. As part of its annual renewals, the financial condition of retrocessionaires is reviewed. As a result retrocession is placed with a select group of financially secure and experienced companies in the industry.

## 4 CAPITAL MANAGEMENT

The Insurance Regulatory Authority of Kenya has set a minimum capital requirement of Sh 450 million for Reinsurance Companies. One of the Corporation's main capital management objectives is to ensure that this threshold is met at all times.

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

The Corporation has a number of sources of capital available to it and seeks to optimize its retention capacity in order to ensure that it can consistently maximize returns to shareholders. The Corporation considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, as appropriate, when assessing its deployment and usage of capital. The Corporation manages as capital all items that are eligible to be treated as capital. The Corporation has no borrowings.

The Kenyan Insurance Acts require each insurance company to hold the minimum level of paid up capital as follows:

	Current Sh'000	With effect from June 2010 Sh'000
<u>Composite insurance companies</u>	<u>150,000</u>	<u>450,000</u>

# Notes to the Financial Statements

For the year ended 31 December 2009

## 4 CAPITAL MANAGEMENT (Continued)

During the year the Corporation held the minimum paid up capital required and also met the required solvency margins.

## 5 SEGMENTAL REPORTING

The Corporation has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the corporation that are regularly reviewed by the Chief Operating decision Maker (CODM) in order to allocate resources to the segments and to assess performance. In contrast, the predecessor standard (IAS 14 *Segmental Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach.

Thus under IFRS 8 the Corporation's reportable segments are long term business and short term. The business segment comprises of motor, marine, aviation and accident. The long term business segment includes individual and group life. These segments are the basis on which the CODM allocates resources and assesses performance. Investment and cash management for the Corporation's own accounts are also reported as part of the above segments. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest and investment income is credited to business segments based on segmental capital employed.

The financial statements have been reported based on the two operating segments as mentioned above. Therefore no further segmental information has been provided.

## 6 PREMIUMS INCOME

	Long term business Sh'000	Short term business Sh'000	2009 Sh'000	2008 Sh'000
Gross premiums written	634,612	3,209,138	3,843,750	3,461,610
Less: Unearned premiums	-	(135,724)	(135,724)	(33,800)
Gross earned premiums	634,612	3,073,414	3,708,026	3,427,810

# Notes to the Financial Statements

For the year ended 31 December 2009

## 7 INVESTMENT INCOME

	Long term business Sh'000	Short term business Sh'000	2009 Sh'000	2008 Sh'000
Rental income from investment properties	91,536	346,180	437,716	401,840
Interest on government securities held to maturity	89,343	182,788	272,131	245,044
Gain on disposal of available for sale quoted equity instruments	-	141,909	141,909	119,187
Dividends receivable on available for- sale quoted equity instruments	-	139,818	139,818	99,347
Interest on commercial mortgages	-	52,852	52,852	62,351
Interest on deposits with financial Institutions	27,228	39,246	66,474	30,867
Interest on corporate bonds - held to Maturity	-	1,040	1,040	-
Gain on disposal of investment Property	-	-	-	26,380
Gain on disposal of non-current assets held for sale	-	-	-	20,000
Other income	-	19,622	19,622	16,253
Profit on sale of inventories	-	-	-	10,074
Interest on staff mortgages and loans	-	8,313	8,313	8,722
Gain on disposal of equipment	-	1,009	1,009	-
<b>Total investment income</b>	<b>208,107</b>	<b>932,777</b>	<b>1,140,884</b>	<b>1,040,065</b>

## 8 CLAIMS INCURRED

	Long term business 2009 Sh'000	Short term business 2009 Sh'000	Total 2009 Sh'000	Long term business 2008 Sh'000	Short term business 2008 Sh'000	Total 2008 Sh'000
Claims paid	277,611	1,363,977	1,641,588	313,537	1,136,088	1,449,625
Changes in the provision for outstanding claims	-	189,358	189,358	-	272,869	272,869
Increase/(decrease) in actuarial liability	128,140	-	128,140	(157,716)	-	(157,716)
Gross claims incurred	405,751	1,553,335	1,959,086	155,821	1,408,957	1,564,778
Less: Amounts recoverable from retrocessionaires	60,226	69,225	129,451	84,185	72,733	156,918
<b>Net claims incurred</b>	<b>345,525</b>	<b>1,484,110</b>	<b>1,829,635</b>	<b>71,636</b>	<b>1,336,224</b>	<b>1,407,860</b>

# Notes to the Financial Statements

For the year ended 31 December 2009

## 9 OPERATING AND OTHER EXPENSES

	Long term business 2009 Sh'000	Short term business 2009 Sh'000	Total 2009 Sh'000	Long term business 2008 Sh'000	Short term business 2008 Sh'000	Total 2008 Sh'000
Staff costs (note 10)	24,345	162,809	187,154	25,911	173,403	199,314
Depreciation	-	5,496	5,496	-	8,658	8,658
Amortisation	-	6,210	6,210	-	4,518	4,518
Auditors' remuneration	442	2,958	3,400	442	2,958	3,400
Directors' emoluments:						
- Fees	2,040	13,650	15,690	1,919	12,841	14,760
Impairment loss on equipment	-	-	-	517	3,459	3,976
Mortgages provisions	-	3,500	3,500	6,918	46,297	53,215
Bad debts provision	-	48,886	48,886	-	32,067	32,067
Annual General Meeting expenses	6,4592	7,888	34,347	4,0792	7,300	31,379
Impairment of unquoted equity instruments	-	-	-	239	1,603	1,842
Investment property direct operating expenses	22,808	155,056	177,864	17,491	117,057	134,548
Net foreign exchange (loss)/gain	-	18,589	18,589	-	(81,474)	(81,474)
Other expenses	22,159	138,924	161,083	31,947	147,152	179,099
	78,253	583,966	662,219	89,463	495,839	585,302

## 10 STAFF COSTS

	Long term business 2009 Sh'000	Short term business 2009 Sh'000	Total 2009 Sh'000	Long term business 2008 Sh'000	Short term business 2008 Sh'000	Total 2008 Sh'000
Salaries and wages	13,870	92,748	106,618	14,370	96,164	110,534
Other emoluments	6,117	40,930	47,047	6,148	41,147	47,295
Retirement benefit costs (note 36)	93	626	719	2,883	19,291	22,174
Medical expenses	2,044	13,642	15,686	1,651	11,050	12,701
Leave allowance	1,609	10,765	12,374	1,690	11,313	13,003
National social security benefit costs	25	170	195	20	136	156
Leave pay provision	587	3,928	4,515	(851)	(5,698)	(6,549)
	24,345	162,809	187,154	25,911	173,403	199,314



# Notes to the Financial Statements

For the year ended 31 December 2009

## 11 TAXATION CHARGE

	2009 Sh '000	2008 Sh '000
(a) Taxation charge		
Current tax at 20% on the taxable profit for the year	161,164	284,865
Deferred taxation charge/(credit) (Note 18)		
- Current year	(28,533)	11,730
- Prior year under/(over) provision	2,327	(41,465)
- Effect of reduction in tax rate	-	22,785
	(26,206)	(6,950)
	134,958	277,915
(b) The company's current tax charge is computed in accordance with income tax rules applicable to composite Kenyan insurance and reinsurance companies. A reconciliation of the tax charge is shown below:		
	2009 Sh '000	2008 Sh '000
Short term business profit before taxation	1,229,845	1,475,726
Long term business profit before taxation	234,017	301,300
Profit before taxation	1,463,862	1,777,026
Tax applicable rate of 20%	292,772	355,405
Tax effects of non taxable income	(174,747)	(226,124)
Tax effect of non-deductible expenses	14,606	167,314
Tax effect of reduction in tax rate	-	22,785
Prior year under/ (over) provision	2,327	(41,465)
	134,958	277,915
Attributable to:		
Long term business	1,380	-
Short term business	133,578	277,915
	134,958	277,915
(c) Taxation (recoverable)/payable		
At 1 January	87,393	7,962
Charge for the year	161,164	284,865
Paid in the year	(400,744)	(205,434)
At 31 December	(152,187)	87,393
Attributable to:		
Long term business	1,380	-
Short term business	(153,567)	87,393
	(152,187)	87,393

# Notes to the Financial Statements

For the year ended 31 December 2009

## 12 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year by the average number of ordinary shares in issue during the year.

	2009	2008
Profit attributable to ordinary shareholders (Sh'000)	1,328,904	1,499,111
Number of ordinary shares in issue	600,000	600,000
Basic and diluted earnings per ordinary share (Sh)	2.21	2.50

Basic earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the parent company by the number of ordinary shares in issue at the reporting date. The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

## 13 DIVIDENDS

The directors propose the payment of a first and final dividend of Sh 0.50 (2008 – Sh 0.50) per share totalling to Sh 300 million in respect of the year ended 31 December 2009 (2008 – Sh 300 million). This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The dividend is payable subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470 Laws of Kenya.

The movement in dividend payable account is as follows:

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Dividends payable			
At 1 January	-	-	-
Dividend declared	300,000	210,000	150,000
Dividends paid	300,000	(210,000)	(150,000)
At 31 December	-	-	-
Proposed dividend per share (Sh)	0.50	0.50	0.35

# Notes to the Financial Statements

For the year ended 31 December 2009

## 14 INVESTMENT PROPERTIES

	Long term business 2009 Sh '000	Short term business 2009 Sh '000	Total 2009 Sh '000	Long term business 2008 Sh '000	Short term business 2008 Sh '000	Total 2008 Sh '000	Total 01.01.2008 Sh '000
At fair value							
At 1 January	775,000	3,070,000	3,845,000	750,000	2,585,620	3,335,620	3,270,000
Revaluation surplus	58,000	252,000	310,000	25,000	540,000	565,000	65,620
Disposal	-	-	-	-	(55,620)	(55,620)	-
At 31 December	833,000	3,322,000	4,155,000	775,000	3,070,000	3,845,000	3,335,620

- (i) Investment properties comprise office buildings held to earn rentals and capital appreciation and land acquired for development of office buildings and housing projects for rental and/or capital appreciation.
- (ii) The valuation of investment properties was last carried out by Gimco Ltd, professional independent valuers as at 31 December 2009. The basis of valuation was open market value.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 15 EQUIPMENT

	Motor vehicles Sh '000	Computers Sh '000	Furniture & equipment Sh '000	Total Sh '000
<b>Cost or valuation</b>				
At 1 January 2008	11,808	76,557	615,879	704,244
Additions	2,878	2,593	393	5,864
Written off	(11,786)	(74,681)	(598,133)	(684,600)
At 1 January 2009	2,900	4,469	18,139	25,508
Additions	-	9,099	645	9,744
Disposal	(400)	-	(593)	(993)
At 31 December 2009	2,500	13,568	18,191	34,259
<b>COMPRISING</b>				
Cost	-	9,099	645	9,744
Valuation - 2008	2,500	4,469	17,546	24,515
	2,500	13,568	18,191	34,259
<b>Depreciation and impairment</b>				
At 1 January 2008	10,675	67,215	604,528	682,418
Charge for the year	1,803	3,798	3,057	8,658
Eliminated on write off	(11,786)	(74,682)	(598,130)	(684,598)
Impairment loss	-	3,948	28	3,976
Eliminated on revaluation	(511)	-	(8,916)	(9,427)
At 1 January 2009	181	279	567	1,027
Charge for the year	700	2,503	2,293	5,496
Eliminated on disposal	(100)	-	(74)	(174)
At 31 December 2009	781	2,782	2,786	6,349
<b>Net book value</b>				
At 31 December 2009	1,719	10,786	15,405	27,910
At 31 December 2008	2,719	4,190	17,572	24,481
At 1 January 2008	1,133	9,342	11,351	21,826
<b>Net book value at cost</b>				
At 31 December 2009	1,367	10,786	7,883	20,036
At 31 December 2008	2,208	4,190	8,656	15,054

Equipment was last valued on 16 September 2008 by independent professional valuers, Gimco Limited. The basis of the revaluation was depreciated replacement cost.

The equipment written off in 2008 related to fully depreciated assets that were no longer in use by the Corporation.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 16 INTANGIBLE ASSETS

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Cost			
At 1 January	26,335	14,359	12,409
Additions	22,573	11,976	1,950
At 31 December	48,908	26,335	14,359
Amortisation			
At 1 January	14,597	10,079	7,371
Charge for the year	6,210	4,518	2,708
At 31 December	20,807	14,597	10,079
Net book value			
At 31 December	28,101	11,738	4,280

## 17 INVESTMENT IN ASSOCIATE

At 1 January	614,880	318,680	285,964
Additional shares purchased	-	170,045	-
Share of profit for the year	111,798	33,391	-
Less dividends received	(9,387)	-	-
	717,291	522,116	285,964
Share of revaluation reserve	4,319	(56)	68,142
Share of fair value reserve	(13,726)	(17,380)	(589)
Share of translation reserve	5,315	110,200	(34,837)
	(4,092)	92,764	32,716
At 31 December	713,199	614,880	318,680

This is an investment in ZEP-Re (PTA Reinsurance) company which is a reinsurance company that underwrites all classes of life and non-life reinsurance risks.

### Summary financial information for ZEP-Re

The associate's year end is 31 December. The associate company is exempt from all forms of taxation. The presentation currency for ZEP-Re is the US dollars. The following exchange rates have been applied in converting the balances to Kenya shillings:

	2009 Sh	2008 Sh	01.01.2008 Sh
Closing rate	75.85	76.85	63.97
Average rate	76.98	68.43	67.82
Ownership	25.50%	25.54%	21.30%

# Notes to the Financial Statements

For the year ended 31 December 2009

## 17 INVESTMENT IN ASSOCIATE (Continued)

	2009 Sh	2008 Sh	01.01.2008 Sh
Total assets	6,248,029	4,954,015	3,414,343
Total liabilities	(3,451,171)	(2,546,874)	(1,918,033)
Net assets	2,796,858	2,407,141	1,496,310
Corporation's share of net assets of associate	713,199	614,880	318,680
Revenues	3,818,229	2,904,019	1,162,222
Expenses	(3,379,806)	(2,773,299)	805,764
Share of profit for the year	111,798	33,391	356,458
Less dividends received	(9,387)	-	-
Corporation's share of associate's profit	102,411	33,391	68,142

During the year, a dividend of Sh 9,386,563 (2008 - Sh Nil) was received.

## 18 DEFERRED TAXATION ASSET

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 20% for the first five years for newly listed companies.

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
The net deferred taxation asset is attributable to the following items:			
Deferred tax assets:			
Excess depreciation over capital allowances	10,570	14,993	19,849
Leave pay provision	2,725	1,822	3,132
Defined benefit liability	6,744	9,537	7,986
Unrealised exchange loss	4,015	-	16,017
Other provisions	77,148	65,250	21,372
	101,202	91,602	68,356
Deferred tax liabilities:			
Revaluation surpluses - equipment	1,575	1,885	-
Unrealised exchange gains	-	16,296	-
	1,575	18,181	-
	99,627	73,421	68,356

# Notes to the Financial Statements

For the year ended 31 December 2009

## 18 DEFERRED TAXATION ASSET (Continued)

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
The movement on the deferred taxation account during the year was as follows:			
At 1 January	73,421	68,356	35,392
Charge/(credit) to statement of comprehensive income (note 11)			
- Current year	28,533	(11,730)	32,964
- Prior year	(2,327)	41,465	-
- Charge directly to equity	-	(1,885)	-
- Effect of reduction in tax rate	-	(22,785)	-
At 31 December	99,627	73,421	68,356

## 19 DEFERRED ACQUISITION COSTS

At 1 January	338,446	320,435	293,347
Interest in year	32,354	18,011	27,088
At 31 December	370,800	338,446	320,435

## 20 UNQUOTED EQUITY INSTRUMENTS

Available-for-sale

At cost

At 1 January	50,149	50,149	50,149
Purchases	28,980	-	-
At 31 December	79,129	50,149	50,149

Impairment provision

At 1 January	(12,842)	(11,000)	(36,500)
Impairment provision	-	(1,842)	25,500

At 31 December	(12,842)	(12,842)	(11,000)
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Net carrying value

At 31 December	66,287	37,307	39,149
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The carrying amount of unquoted equity instruments at year end related to shareholding in International Development Bank and Africa Reinsurance Ltd.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 21 INVENTORIES

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
a) Cost			
Housing units for sale	54,069	78,195	192,553
Land held for sale	-	550,704	550,704
		628,899	743,257
Disposals		(24,126)	(114,358)
Transfer to non current assets held for sale (note 22)		(550,704)	-
Impairment	-	-	(160,575)
	54,069	54,069	468,324
b) Impairment loss			
At 1 January	-	160,575	259,704
Transfer to non current assets held for sale (note 21)	-	(160,575)	(99,129)
At 31 December	-	-	160,575

Inventories comprise housing units for sale.

## 22 NON CURRENT ASSETS HELD FOR SALE

At 1 January	536,858	316,729	316,729
Disposal	-	(170,000)	-
Transfer from inventories (note 20)	-	390,129	-
At 31 December	536,858	536,858	316,729

The non current assets held for sale relate to a sports complex and land which the Corporation intends to sell within the next 12 months.

## 23 MORTGAGE LOANS

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Commercial mortgages	360,956	419,506	515,904
Staff mortgages	157,015	153,082	251,213
	517,971	572,588	767,117
Less: impairment provision	(113,289)	(109,789)	(56,574)
	404,682	462,799	710,543
Maturity analysis			
Within 1 year	43,038	49,217	113,911
Within 1 to 5 years	150,994	172,679	455,643
Over 5 years	210,650	240,903	140,989
	404,682	462,799	710,543

The weighted average effective interest rates on the mortgages was 11.83% (2008 - 13.54%).



## 24 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term business 2009 Sh '000	Short term business 2009 Sh '000	Total 2009 Sh '000	Total 2008 Sh '000	Total 01.01.2008 Sh '000
Local companies	82,477	530,422	612,899	524,477	518,255
International companies	-	1,182,101	1,182,101	1,191,835	1,078,691
	82,477	1,712,523	1,795,000	1,716,312	1,596,946
Less impairment provision	-	(271,220)	(271,220)	(216,470)	(247,322)
	82,477	1,441,303	1,523,780	1,499,842	1,349,624

## 25 PREMIUM AND LOSS RESERVES

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
International companies	305,627	205,672	135,051
Local companies	126,134	84,883	80,396
	431,761	290,555	215,447

## 26 OTHER RECEIVABLES

Staff advances	21,487	21,655	33,252
Prepayments	29,531	-	-
Loan to directors	7,365	8,148	8,464
Rental receivables	15,710	2,919	9,069
Other receivables	539	1,220	15,894
	74,632	33,942	66,679

## 27 CORPORATE BONDS

Held to maturity

Kenya Electricity Generating Company Limited	48,379	-	-
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The effective interest rate on the corporate bond at 31 December 2009 was 12.5%. The corporate bond matures on 9 November 2019.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 28 QUOTED EQUITY INSTRUMENTS

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Available-for- sale			
At fair value			
At 1 January	2,214,146	2,698,423	2,244,121
Fair value loss	(60,283)	(493,228)	579,917
Purchases	-	111,903	
84,529			
Disposal of shares	(146,215)	(102,952)	(210,144)
At 31 December	2,007,648	2,214,146	2,698,423

## 29 GOVERNMENT SECURITIES

	Long term business 2009 Sh '000	Short term business 2009 Sh '000	Total 2009 Sh '000	Total 2008 Sh '000	Total 01.01.2008 Sh '000
Held to maturity					
Maturing:					
- Within 3 months	206,734	351,705	558,439	408,012	723,192
- Within 4 to 12 months	104,232	177,324	281,556	256,524	70,445
- Within 1 to 5 years	366,860	624,117	990,977	1,709,348	673,797
- Over 5 years	814,850	486,206	1,301,056	462,979	1,082,216
At 31 December	1,492,676	1,639,352	3,132,028	2,836,863	2,549,650

Treasury bonds amounting to Sh 739,850,000 (2008 – Sh 739,850,000) are held under lien by the Commissioner of Insurance as required by the Kenyan Insurance Act. The weighted average effective interest rates on the government securities was 9.8% (2008 – 8.24%).

## 30 DEPOSITS WITH FINANCIAL INSTITUTIONS

Held to maturity

	Long term business 2009 Sh '000	Short term business 2009 Sh '000	Total 2009 Sh '000	Total 2008 Sh '000	Total 01.01.2008 Sh '000
Deposits maturing within 3 months	364,843	525,876	890,719	925,508	597,025

The weighted average effective interest rate on deposits with financial institutions was 8.09% (2008 – 6.76%). The Corporation has an overdraft facility secured by lien over fixed deposits of Sh 24 million (note 40)

## 31 SHARE CAPITAL

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Authorised:			
800,000,000 ordinary shares of Sh 2.50 each	2,000,000	2,000,000	2,000,000
Issued and fully paid:			
600,000,000 ordinary shares of Sh 2.50 each	1,500,000	1,500,000	1,500,000

## 32 LONG TERM REINSURANCE LIABILITIES

The long term reinsurance liabilities, which comprise Ordinary Life Fund and Superannuation Fund, were established in respect of its long-term business as required under Section 45 of the Kenya Insurance Act. Income arising from the investment of the assets of the statutory funds is credited to and forms part of these funds. Transfers from the statutory funds to the statement of comprehensive income are made on the recommendation of the Actuary. The latest actuarial valuation of the life fund was carried out by Alexander Forbes Financial Services (EA) Limited, consulting actuaries as at 31 December 2009 and according to the valuation, the fund had a surplus of Sh 708 million (2008 - Sh 474 million).

## Reconciliation of statutory fund to the actuarial surplus

The actuarial surplus resulting from the actuarial valuation carried out by the Consulting Actuaries as at 31 December 2009 is summarised as follows:

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Life fund	2,761,204	2,400,427	2,256,845
Less: actuarial value of policy holder liabilities	(2,054,494)	(1,926,354)	(2,084,071)
Statutory reserve	706,710	474,073	172,774

## Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2009 are summarised below. The same assumptions were used in 2008.

## (i) Actuarial basis and method of valuation

The Corporation underwrites both treaty and some mandatory cessions business. Compulsory cessions ordinary life business is written on a risk premium basis. Accordingly, this business can be viewed as a series of one year renewable term assurances reinsured on guaranteed risk premium rates and valued as such. Therefore, the actuarial reserves have been established as a proportion of gross annual premiums written. Each type or class of ordinary life business has been valued as a different percentage of annual office premiums written. The actuary has established actuarial reserves of 95% of the gross annual premiums written for all types of compulsory cessions ordinary life business at the valuation date.

Treaty business and group life business actuarial reserves has been established to 95% of the annual office premiums at the valuation date.

For supplementary benefits actuarial reserves has been established to equal to 100% of annual office premiums at the valuation date.

In addition to establishing actuarial reserves for ordinary life business, group life business and supplementary benefits additional actuarial reserves namely AIDS reserve, claims equalisation reserve and contingency reserve have been established.

## (ii) Investment returns

The rate of return on the life fund assets in 2009 was 8.4% per annum (2008 - 7.6% per annum).

## 33 SHORT TERM INSURANCE CONTRACT LIABILITIES

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Claims reported and claims handling expenses	2,205,597	2,016,240	2,014,679

# Notes to the Financial Statements

For the year ended 31 December 2009

## 34 UNEARNED PREMIUMS

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
At 1 January	1,080,715	1,046,917	865,863
Increase in the year	135,725	33,799	181,053
At 31 December	1,216,440	1,080,716	1,046,916

## 35 PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Long term business 2009 Sh '000	Short term business 2009 Sh '000	Total 2009 Sh '000	Total 2008 Sh '000	Total 01.01.2008 Sh '000
Local companies	4,735	88,643	93,378	189,868	62,585
International companies	6,333	118,564	124,897	166,360	34,359
	11,068	207,207	218,275	356,228	96,944

## 36 DEFINED BENEFIT LIABILITY

The Corporation operates a funded defined benefit plan for substantially all employees. Scheme members' contributions are a fixed percentage of pensionable pay with the Corporation responsible for the balance of the cost of benefits accruing. The Scheme is established under trust. The Scheme funds are invested by the Corporation in a variety of asset classes comprising government securities, property and shares.

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
The actuarial valuation results were as follows:			
Present value of funded obligations	346,696	363,947	363,923
Fair value of Scheme assets	287,925	245,180	290,229
Net underfunding in funded plan	58,771	118,767	73,694
Unrecognised actuarial loss	(25,053)	(71,081)	(33,768)
Net liability in the statement of financial position	33,718	47,686	39,926
Reconciliation			
Net liability at start of year	47,686	39,926	31,664
Net expense recognised in the statement of comprehensive income	719	22,174	26,025
Employer contributions	(14,687)	(14,414)	(17,763)
Net liability at end of year	33,718	47,686	39,926

# Notes to the Financial Statements

For the year ended 31 December 2009

## 36 DEFINED BENEFIT LIABILITY (Continued)

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Notes to the statement of comprehensive income			
Current service cost net of employees' contributions	9,160	14,086	15,090
Interest on obligation	38,673	38,267	38,586
Expected return on plan assets	(26,839)	(30,179)	(29,456)
Net actuarial losses/gains recognised in the period	4,829	-	1,805
Past service cost	(25,104)	-	-
Total included in "staff costs" in respect of Scheme	719	22,174	26,025
Actual return on plan assets	51,621	13,293	24,414
	2009	2008	
Actuarial assumptions			
Discount rate (% p.a.)	11%	11%	11%
Expected return on Scheme assets (% p.a.)	11%	11%	11%
Future salary increases (% p.a.)	8%	8%	9%
Future pension increases (% p.a.)	0%	0%	0%

The actuaries of the Scheme carried out a revaluation as at 31 December 2009.

The Corporation also makes contributions to a statutory provident fund, the National Social Security Fund (NSSF). Contributions are determined by local statute. For the year ended 31 December 2009, the Corporation contributed Sh 14,687,000 (2008 - Sh 14,414,000) to the defined benefit pension scheme and Sh 195,000 (2008 - Sh 156,800) for NSSF which has been charged to the statement of comprehensive income.

Historical information	2009 Sh '000	2008 Sh '000	2007 Sh '000	2006 Sh '000
Fair value of plan assets	287,925	245,180	290,229	212,912
Present value of funded obligations	(346,696)	(363,947)	(363,923)	(276,435)
Net (under)/over funding in the scheme	(58,771)	(118,767)	(73,694)	(63,523)
Unrecognised actuarial loss	25,053	71,081	33,768	31,395
Defined benefit liability	(33,718)	(47,686)	(39,926)	(32,128)

## 37 OTHER PAYABLES

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Other creditors and accruals	102,748	56,319	138,674
Sundry creditors	9,801	42,799	62,281
Legal fees deposits	6,965	4,984	20,346
Rental deposits	37,664	33,885	10,685
Accrued leave pay	13,626	9,110	15,659
Accrual for rationalisation expenses	-	-	197,098
	170,804	147,097	444,743

# Notes to the Financial Statements

For the year ended 31 December 2009

## 38 CASH FLOWS FROM OPERATIONS

	2009 Sh '000	2008 Sh '000
Profit before taxation	1,463,862	1,777,026
Adjustment for:		
Depreciation	5,496	8,658
Impairment loss on equipment	-	3,976
Interest on corporate bonds	(979)	-
Gain on disposal of equipment	(1,009)	-
Gain on disposal of investment property	-	(26,380)
Gain on disposal of non current assets held for sale	-	(20,000)
Amortisation of software	6,210	4,518
Realised gain on sale of available-for-sale-equity instruments	(141,909)	(119,187)
Profit on sale of inventories	-	(10,074)
Impairment provision on unquoted shares	-	1,842
Fair value gain in investment properties	(310,000)	(565,000)
Share of profit of associate	(111,798)	(33,391)
Share of dividends from associate	9,387	-
Operating profit before working capital changes	919,260	1,021,988
Decrease in mortgages	58,117	247,744
Increase in receivables arising out of reinsurance arrangements	(23,938)	(150,218)
Increase in premium and loss reserves	(141,206)	(75,107)
(Increase)/decrease in other receivables	(40,690)	32,737
Increase/(decrease) in long term reinsurance contract liabilities	128,140	(157,717)
Increase in short term reinsurance contract liabilities	189,357	1,561
Increase in unearned premiums	135,724	33,800
Increase in payables arising out of reinsurance arrangements	(137,953)	259,284
(Decrease)/increase in defined benefit liability	(13,968)	7,760
Increase/(decrease) in other payables	23,707	(297,646)
Increase in deferred acquisition costs	(32,354)	(18,011)
Cash generated from operations	1,064,196	906,175

## 39 CASH AND CASH EQUIVALENTS

Deposits with financial institutions maturing within 3 months	890,719	925,508
Cash and bank balances	281,586	141,255
Treasury bills maturing within 3 months (note 29)	558,439	408,012
	1,730,744	1,474,775

## 40 BANK OVERDRAFT

The Corporation has an overdraft facility with Kenya Commercial Bank Limited of Sh 15,000,000. The facility is secured by lien over fixed deposits of Sh 24 million.

## 41 RELATED PARTY TRANSACTIONS

The Corporation has various related parties, most of who are by virtue of being shareholders and common directorships. The other related parties include staff of the Corporation. The following transactions were carried out with related parties:

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
a) Transactions and balances with directors and staff			
(i) Directors' remuneration			
Fees	3,960	2,760	1,920
Other emoluments	12,000	12,000	10,281
	<u>15,960</u>	<u>14,760</u>	<u>12,201</u>
(ii) Key management remuneration			
Salaries and other short term benefits	36,129	29,211	26,382
	<u>36,129</u>	<u>29,211</u>	<u>26,382</u>
(iii) Loans to staff (included in mortgages - note 23 and other receivables - note 26)	178,502	174,737	284,465

Interest income on these loans was Sh 8,313,288 (2008 - Sh 8,722,046). The effective interest on the loans is 6.7 % (2008 - 7.5 %). Staff mortgages and car loans are secured by way of charging the related property to the Corporation.

### (iv) Loans to directors

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Included in other receivables (note 26)	7,365	8,148	8,464

Interest earned on these loans was Sh 386,821 (2008 - Sh 411,933). The effective interest rate on the loans is 5% (2008 - 5%). Loans to directors are secured by mortgages on the property purchased.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 41 RELATED PARTY TRANSACTIONS (Continued)

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
b) Transaction with related companies			
(i) Net premium written	80,294	33,207	28,666
(ii) Claims incurred	55,326	27,269	10,595

Reinsurance policies taken out by related parties are in the ordinary course of business at terms and conditions similar to those offered to other clients.

### (iii) Outstanding balances with related parties in respect of underwriting business:

	2009 Sh '000	2008 Sh '000	01.01.2008 Sh '000
Amounts due from related parties	82,069	81,012	10,957
Amounts due to related parties	88,969	83,209	4,639

## 42 INCORPORATION

The Corporation is incorporated and domiciled in Kenya under the Companies Act and the Government of Kenya owns 60% of the Corporation while the public owns 40%.

## 43 CURRENCY

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



# Short Term Business Revenue Account (Appendix I)

For the year ended 31 December 2009

	Motor Private KShs 000	Motor Commercial KShs 000	Fire Domestic KShs 000	Fire Industrial KShs 000	Personal Accident KShs 000	Theft KShs 000	Misc. KShs 000	Liability KShs 000	Engineering KShs 000	Workmen Compensation KShs 000	Marine KShs 000	Aviation KShs 000	Total 31/12/2009 KShs 000	Total 31/12/2008 KShs 000
Gross premium	4,801	281,831	5,235	1,480,354	214,672	288,805	295,716	53,565	322,029	524	248,340	13,266	3,209,138	2,890,302
Unearned premium b/f	2,118	81,756	3,222	446,527	52,902	127,432	105,499	30,320	127,998	291	98,107	4,544	1,080,716	1,046,916
Unearned premium c/f	1,920	112,732	2,094	525,986	85,869	125,848	115,048	21,426	128,812	210	91,189	5,306	1,216,440	1,080,715
Movement in unearned premium	198	(30,976)	1,128	(79,459)	(32,967)	1,584	(9,549)	8,894	(814)	81	6,918	(762)	(135,724)	(33,800)
Net earned premium	4,999	250,855	6,363	1,400,895	181,705	290,389	286,167	62,459	321,215	605	255,258	12,504	3,073,414	2,856,503
Less: Retrocessions	-	-	-	(138,302)	-	(1,272)	(8,097)	-	-	-	(20,366)	-	(168,037)	(188,442)
Net written premium	4,999	250,855	6,363	1,262,593	181,705	289,117	278,070	62,459	321,215	605	234,892	12,504	2,905,377	2,668,061
Claims paid	4,083	99,336	217	654,802	120,384	182,350	109,248	14,719	80,985	2,216	93,889	1,742	1,363,971	1,136,087
Claims recoverable	-	-	-	(69,225)	-	-	-	-	-	-	-	-	(69,225)	(72,733)
Claims outstanding at year end	39,868	691,770	-	457,684	135,771	287,559	261,861	45,297	63,417	23,550	156,188	42,632	2,205,597	2,287,548
Claims outstanding at beginning of year	(39,464)	(684,768)	-	(273,981)	(163,206)	(292,643)	(237,950)	(32,396)	(81,218)	(27,880)	(143,566)	(39,058)	(2,016,240)	(2,014,679)
Total claims incurred	4,487	106,338	217	769,280	92,949	177,266	133,159	27,620	63,184	(2,114)	106,411	5,306	1,484,103	1,336,223
Commissions payable	-	14,480	1,777	428,151	29,756	121,856	86,866	12,155	114,621	181	83,005	2,830	895,678	864,732
Commissions receivable	-	-	-	(800)	-	(32)	(202)	-	-	-	-	-	(1,034)	(605)
Provision - doubtful debts	82	4,810	89	25,264	3,664	4,929	5,047	914	5,496	9	4,238	226	54,768	32,067
Management expenses	446	26,172	486	137,470	19,935	26,819	27,461	4,974	29,904	49	23,062	1,232	298,010	322,764
Total expenses	5,015	151,800	2,569	1,359,365	146,304	330,838	252,331	45,663	213,205	(1,875)	216,716	9,594	2,731,525	2,555,181
Underwriting profit/(loss)	(16)	99,055	3,794	(96,772)	35,401	(41,721)	25,739	16,796	108,010	2,480	18,176	2,910	173,852	112,880

This short term business revenue account was approved by the Board of Directors on 28 April 2010 and was signed on its behalf by:



Mr. Jadhav Mwarania  
Acting Principal Officer



Mrs. Nelius Kariuki  
Director




Mr. Mutwiri Ikiao  
Director

# Long Term Business Revenue Account

For the year ended 31 December 2009

	Ordinary Sh '000	Super annuation Sh '000	2009 Sh '000	2008 Sh '000
Gross earned premiums	50,695	583,916	634,611	571,307
Reinsurance	(6,561)	(75,578)	(82,139)	(130,277)
Net earned premium	44,134	508,338	552,472	441,030
Net claims incurred	17,365	200,020	217,385	229,351
Increase/(decrease) in actuarial liability	10,236	117,904	128,140	(157,716)
Net commission	12,844	147,940	160,784	149,256
Management expenses	6,251	72,002	78,253	89,463
	46,696	537,866	584,562	310,354
Underwriting /(deficit)/surplus	(2,562)	(29,528)	(32,090)	130,676
Fair value gains	4,633	53,367	58,000	-
Investment income	16,625	191,482	208,107	170,623
Increase in life funds	18,696	215,321	234,017	301,299

The long term business revenue account was approved by the board of directors on 28 April 2010 and was signed on its behalf by:



Mr. Jadhav Mwarania  
Acting Principal Officer



Mrs. Nelius Kariuki  
Director



Mr. Mutwiri Ikiaio  
Director

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Share Member No. ....

The Corporation Secretary  
Kenya Reinsurance Corporation Limited  
15th Floor, Reinsurance Plaza Building  
Taifa Road  
P.O. Box 30271 - 00100  
NAIROBI

KENYA REINSURANCE CORPORATION LIMITED

I/WE ..... of .....

being a \*member/members of the above-named Company, hereby appoint

..... of .....

or failing him ..... of .....

as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Annual General Meeting of the Company to be held at the Bomas of Kenya, off Lang'ata Road, Nairobi, on Friday, 18th June 2010 at 11.00 a.m., and at any adjournment thereof.

Signature(s) .....

Signed this ..... day of ..... 2010

*This form is to be used \* in favour of/against the resolution.*

*Unless otherwise instructed the proxy will vote as he/she thinks fit.*

\* Strike out whichever is not desired.

## Notes:

1. The address should be that shown in the register of members.
2. In the case of a member being a Corporation, this form of proxy must be executed either under its Common Seal or signed on its behalf by an attorney or officer of the Corporation duly authorized.
3. A person appointed to act as a proxy need not be a member of the Company.
4. In case of joint holders, the signature of any one holder will be sufficient but the names of all joint holders should be stated.

## Shareholder's Admission Letter for AGM on 18th June 2010

Please complete this form and note that it must be produced at the Annual General Meeting by you or your proxy in order to record attendance. Kindly note that only the registered shareholders or their proxy notified to the Company not less than 48 hours before the time for holding the meeting will be admitted to the meeting.

Name: ..... Signature: .....

Annual General Meeting of Kenya Reinsurance Corporation Limited to be held at the Bomas of Kenya, off Lang'ata Road, Nairobi, on Friday, 18th June 2010 at 11.00 a.m.

# Fomu ya Uwakilishi ya Mwanachama Mbadala

Nambari ya Hisa ya Mwanachama:

Katibu wa Shirika  
Kenya Reinsurance Corporation Limited  
Orofa ya 15, Reinsurance Plaza  
Taifa Road  
S.L.P 30271-00100  
NAIROBI.

KENYA REINSURANCE CORPORATION LIMITED

Mimi/ Sisi, ..... wa .....

Kama \*mwanachama/ wanachama wa Kampuni iliyotajwa hapo juu, namchagua

.....wa .....

au kutomuwezesha yeye.....wa.....

kama muwakilishi \*wangu/wetu mbadala atakayenipigia au atakayetupigia kura kwa niaba yangu/ yetu katika Mkutano Mkuu wa Mwaka wa Shirika utakaofanyika tarehe 18 Juni 2010 na hitimisho lake baadae.

Sahihi .....

Alitia sahihi tarehe.....mwezi wa .....Mwaka wa.....

*Fomu hii inafaa kutumiwa \* kuambatana na au kinyume na makubaliano.*

*Ila tu kwa maelekezo mengineyo, mwanachama mbadala atapiga kura kwa njia akatayoiona inamfaa.*

\*Ondoa sehemu isiyohitajika.

Maelezo Zaidi:

1. Anuwani inafaa kuwa ile iliyoonyeshwa kwenye rejesta ya wanachama.
2. Na ikiwa mwanachama ni shirika, fomu hii ya mwanachama mbadala ni lazima ikamilishwe kwa kuwekwa Mhuri Maalum au kutiwa sahihi kwa niaba yake na Wakili ama Afisa anayeruhusiwa wa shirika hilo.
3. Mtu aliyeteuliwa kuwa mwanachama mbadala sio lazima awe mwanachama wa shirika.
4. Ikiwa pana ubia, sahihi ya mmoja wa wanachama hao itatosha lakini ni lazima majina yao yote yaandikishwe.

Barua ya Ukubalifu kwa Wenyekisa Kuhudhuria Mkutano Mkuu wa Mwaka, utakaofanyika Siku ya Ijumaa, tarehe 18 Juni, 2010.

Tafadhali ikamilishe fomu hii na fahamu ya kwamba utalazimika kujitambulisha nayo katika Mkutano Mkuu wa Mwaka au mwanachama mbadala atakayekuwasilisha ili kuonyesha kwamba umehudhuria. Tafadhali fahamu ya kwamba, ni wenyekisa waliosajiliwa pekee na wanachama wabadala wafahamike kwenye ofisi za usajili za shirika kwa muda usiopungua saa 48 kabla ya Mkutano huo Mkuu, watakubalika kuhudhuria mkutano.

Jina: ..... Sahihi: .....

Mkutano Mkuu wa Mwisho wa Mwaka wa Shirika la Kenya Reinsurance Corporation utakaofanyika kwenye ukumbi wa Bomas of Kenya, Nairobi, siku ya Ijumaa, Tarehe 18 Juni, 2010.

# *A Sense of Security*



**KENYA RE IS THE FLAGSHIP PROVIDER OF REINSURANCE SERVICES  
IN KENYA, AFRICA, ASIA AND THE MIDDLE EAST.**



**Kenya Re**

Since 1970  
Kenya's Source of Security



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