

Signed Accounts  
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**SANLAM GENERAL INSURANCE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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## Report of the directors

The directors have the pleasure of presenting their report together with the audited financial statements of Sanlam General Insurance Limited (the "Company") for the year ended 31 December 2021 which disclose the state of affairs of the Company.

The annual report and financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, 2015.

## Principal activities

The principal activities of the Company are the underwriting of all classes of non-life insurance risk with the exception of Micro-insurance as defined by the Insurance Act.

## The Company's performance

The Company reported an after tax loss of Shs 501 million (2020: after tax loss of Shs 412 million (restated)). The performance of the Company was as below:

- Gross written premium - The Company registered a growth of 19% in Gross Written Premium attributed to Corporate and tender business booked during the year;
- Investment income – Shs 153 million registered as investment income primarily from Government securities and bank deposit interest;
- Claims – The business performance was negatively impacted by the high claims experience in motor private and medical;
- Expenses – Shs 1,029 million registered as expenses to meet operational requirements; and
- Commissions – Net of Shs 224 million paid out as commissions.

The Company continues to review its operational efficiencies to improve its performance. During the year under review, the company reviewed its rates for the motor private class and exited from medical business to focus on its core strength in non-medical insurance. This is part of the strategy the board and management have commenced to ensure a return to profitability in the core business.

## Key performance indicators

The table below highlights some of the key performance indicators over a period of 5 years.

Performance Indicators	2017	2018	2019	2020	2021
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
				Restated	
Underwriting profit/(loss)	40,892	40,928	(91,744)	(570,169)	(822,052)
Gross profit/(loss) (%)	5%	9%	1%	-9%	-14%
Claims loss ratio (%)	52%	51%	61%	57%	85%
Profit/(loss) before tax	102,368	193,622	23,042	(385,279)	(668,951)
Net assets	763,518	1,040,111	1,044,532	632,176	131,264
Return on capital employed (%)	9%	11%	0%	-37%	-46%
Earnings per share (Shs)	0.44	0.56	0.02	(2.00)	(2.43)

## Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021 (2020: Nil)

## Directors

The directors who held office during the year and to the date of this report are set out on page 1.

## **Report of the directors (continued)**

### **Disclosures to the auditor**

Each director in office at the time this report was approved confirms that:

- (a) there is so far as the director is aware, no relevant audit information of which the company's auditor is unaware; and
- (b) the director has taken all steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditor**

The auditor, KPMG Kenya, who were appointed during the year, have expressed their willingness to continue in office in accordance with the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract which sets out the terms of the auditor's appointment and the associated fees on behalf of the shareholders.

### **Going concern**

The directors are aware of the following conditions:

- i. During the year under review, the Company reported an after tax loss of Shs 501 million (2020 an after tax loss of Shs 412 million). The cumulative losses as at 31 December 2021 was Shs 998 million (2020: Shs 497million restated); and
- ii. The Company is non-compliant with minimum regulatory solvency requirements of 100% as at 31 December 2021.

The following are the mitigation factors put in place by the directors to address the matters above:

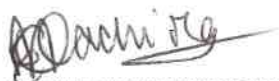
- i. The Company has received a Letter of Comfort from Sanlam Emerging Markets who indirectly own 41% of the shares of the Company. Sanlam Emerging Markets has committed to support the Company with funding and other support over the next 12 months to make it possible for the Company to meet its financial obligations;
- ii. Sanlam Emerging Markets has advanced a loan of Shs 1.085 billion to the Company to bridge the capital shortfall in the interim until the Shareholders inject additional capital into the Company. The Company received this subordinated debt on 5 May 2022 which restored the Capital Adequacy Ratio to 100%. The Company received approval from the Insurance Regulatory Authority (IRA) to use this debt in its solvency calculations; and
- iii. The Company has projected to return to profitability by the year 2022, projecting after tax profit of Shs 207 million, which reflects the potential that the Company has and hence reaffirms the ability of the Company to continue as a going concern. Management has put in place a turnaround strategy aimed at improving the profitability, and hence the solvency position of the Company. The Company has revamped the motor private business and also exited the medical business in the last quarter of 2021 so as to focus on its core strength in non-medical insurance.

The Directors have taken into account the initiatives above and are confident that the going concern assumption is appropriate in the preparation of the financial statements. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. The basis assumes that the Company will continue as a going concern and also its operations for the foreseeable future.

### Approval of the financial statements

The financial statements of the Company for the year ended 31 December 2021 were approved and authorised for issue in accordance with a resolution of the directors on 25 May 2022.

By order of the Board



.....  
**Emma Wachira**  
**Company Secretary**

Date: 25 May 2022

## Statement of Directors' responsibilities

The Directors are responsible for the preparation and presentation of the financial statements of Sanlam General Insurance Limited set out on pages 12 to 62 which comprise the statements of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include determining that the basis of preparation described in Note 2 as an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year and of the profit or loss of the Company for that year. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position and profit or loss of the Company.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Company and of its profit or loss.

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.

The directors are aware of the following conditions:

- i. During the year under review, the Company reported an after tax loss of Shs 500 million (2020 an after tax loss of Shs 412 million). The cumulative losses as at 31 December 2021 was Shs 998 million (2020: Shs 497 million restated); and
- ii. The Company is non-compliant with minimum regulatory solvency requirements of 100% as at 31 December 2021.

The following are the mitigation factors put in place by the directors to address the matters above:

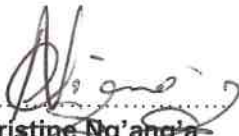
- i. The Company has received a letter of Comfort from Sanlam Emerging Markets who indirectly own 41% of the shares of the Company. Sanlam Emerging Markets has committed to support the Company with funding and other support over the next 12 months to make it possible for the Company to meet its financial obligations;
- ii. Sanlam Emerging Markets has advanced a loan of Shs 1.085 billion to the Company to bridge the capital shortfall in the interim until the Shareholders inject additional capital into the Company. The Company received this subordinated debt on 5 May 2022 which restored the Capital Adequacy ratio to 100%. The Company received approval from the Insurance Regulatory Authority (IRA) to use this debt in its solvency calculations; and
- iii. The Company has projected to return to profitability by the year 2022, projecting an after tax profit of Shs 207 million, which reflects the potential that the Company has and hence reaffirms the ability of the Company to continue as a going concern. Management has put in place a turnaround strategy aimed at improving the profitability, and hence the solvency position of the Company. The Company has revamped the motor private business and also exited the medical business in the last quarter of 2021 so as to focus on its core strength in non-medical insurance.


The Directors have taken into account the initiatives above and are confident that the going concern assumption is appropriate in the preparation of the financial statements. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. The basis assumes that the Company will continue as a going concern and also its operations for the foreseeable future.

**Statement of Directors' responsibilities (continued)**

**Approval of the financial statements**

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 25 May 2022.

  
.....  
Christine Ng'ang'a  
Date: 25 May 2022

  
.....  
Dr. Jackson Maingi  
Date: 25 May 2022

**Report of the consulting actuary**

I have conducted an actuarial valuation of the general business of Sanlam General Insurance Limited as at 31 December 2021.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Insurance Act Cap 487 of the Laws of Kenya. These principles require that prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

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

In my opinion, the general business of the Company was financially sound and the actuarial value of the liabilities in respect of all the classes of general business did not exceed the amount of outstanding claims liabilities of the general business at 31 December 2021.



.....  
**James Olubayi**  
**Zamara Actuaries, Administrators & Consultants Limited**

**Date:** 27<sup>th</sup> May 2022





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**Certified Public Accountants**  
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## **INDEPENDENT AUDITOR'S REPORT** **TO THE MEMBERS OF THE SANLAM GENERAL INSURANCE LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Sanlam General Insurance Limited (the Company) set out on pages 12 to 62 which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of financial position of Sanlam General Insurance Limited as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act, 2015.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements*, section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

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



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF THE SANLAM GENERAL INSURANCE LIMITED  
(CONTINUED)**

**Report on the audit of the financial statements (continued)**

**Key audit matters (continued)**

<b>Insurance contract liabilities</b>	
See accounting policy Note 2 (c) and Note 24 to the financial statements	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Company's insurance contract liabilities represent 47% of its total liabilities.</p> <p>Valuation of these liabilities is highly judgmental and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognized in respect of claims that have occurred but have not yet been reported to the Company (incurred but not reported (IBNR)).</p> <p>Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities.</p> <p>The key assumptions that drive the determination of insurance contract liabilities (reserving calculations) include loss ratios, claim expense assumptions and claim development factors. The valuation of insurance contract liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgments over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise. We determined the valuation of insurance contract liabilities to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by the company in the determination of the reported amounts</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of the claims handling and reserve setting process and the controls used in the determination of insurance contract liabilities. This included assessing the design and operating effectiveness of key controls over the claims handling and reserve setting processes of the Company.</li> <li>- Inspecting claims received and claims paid immediately after 31 December 2021 to assess whether there were any unrecorded insurance contract liabilities at the end of the period;</li> <li>- Evaluating a sample of outstanding claims reserves by comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters to ascertain accuracy of the recorded amounts;</li> <li>- Re-performing reconciliations between the data recorded in the financial reporting systems and the data used in the actuarial reserving calculations including selecting a sample of the data and comparing to the policy documents to ensure its complete and accurate;</li> <li>- Evaluating the appropriateness of management's liability adequacy testing by assessing the historical IBNR sufficiency as well as the Unexpired Risk Reserve through performing an actual vs expected analysis on prior years' reserves for any surpluses or shortfalls;</li> <li>- Using our internal actuarial specialists to assist us in assessing the appropriateness of the methodology and the reasonableness of the assumptions used by management in the estimation of reserves at 31 December 2021; and</li> <li>- Evaluating the adequacy of disclosures in the financial statements including disclosures of key estimates and judgements on insurance contract liabilities in accordance with the requirements of IFRS 4 <i>Insurance contracts</i>.</li> </ul>

**Emphasis of matter – Comparative information**

We draw attention to Note 30 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2020 has been restated. Our opinion is not modified in respect of this matter.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF THE SANLAM GENERAL INSURANCE LIMITED  
(CONTINUED)**

**Report on the audit of the financial statements (continued)**

**Other matter related to comparative information**

The financial statements of Sanlam General Insurance Limited as at and for the year ended 31 December 2020, excluding the adjustments described in Note 30 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 March 2021.

As part of our audit of the financial statements as at and for the year ended 31 December 2021, we audited the adjustments described in Note 30 that were applied to restate the comparative information presented as at and for the year ended 31 December 2020.

We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2020, other than with respect to the adjustments described in Note 30 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 30 are appropriate and have been properly applied.

**Other information**

The directors are responsible for the other information. The other information comprise the information included in the *Sanlam General Insurance Limited Annual Report and Financial Statements for the year ended 31 December 2021*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

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

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

**Directors' responsibilities for the financial statements**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF THE SANLAM GENERAL INSURANCE LIMITED (CONTINUED)**

**Report on the audit of the financial statements (continued)**

**Auditor's responsibilities for the audit of the financial statements (continued)**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

**Report on other legal and regulatory requirements**

As required by the Kenyan Companies Act, 2015, we report to you based on our audit, that in our opinion the information given in the report of the directors on page 2 to 4 is consistent with the financial statements.

*The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Alexander Mbai - P/2172.*

*For and on behalf of:*

**KPMG Kenya  
Certified Public Accountants  
P O Box 40612 – 00100, GPO  
Nairobi**

**Date: 27 May 2022 .**

**Statement of profit or loss and other comprehensive income for the year ended 31 December 2021**

	Note	Year ended 31 December 2021 Shs'000	2020 *Restated Shs'000
Gross written premium		4,853,903	4,066,095
Gross earned premium	5	4,672,756	3,741,095
Less: Reinsurance premium ceded to reinsurers		(1,721,933)	(1,694,335)
<b>Net earned premium</b>		<b>2,950,823</b>	<b>2,046,760</b>
Investment and other income	6	153,101	184,890
Commissions earned		373,002	365,399
<b>Total income</b>		<b>3,476,926</b>	<b>2,597,049</b>
Claims incurred		3,655,253	2,225,238
Less: Amounts recoverable from reinsurers		(1,135,701)	(1,057,590)
<b>Net claims incurred</b>	7	<b>2,519,552</b>	<b>1,167,648</b>
Operating and other expenses	8	1,029,238	1,346,656
Commissions payable		597,087	468,024
<b>Total expenses</b>		<b>4,145,877</b>	<b>2,982,328</b>
Loss before income tax		(668,951)	(385,279)
Income tax credit/(expense)	10	168,039	(27,077)
<b>Loss for the year</b>		<b>(500,912)</b>	<b>(412,356)</b>
Other comprehensive income; net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>(500,912)</b>	<b>(412,356)</b>

\*See Note 30 for restatements.

The notes on pages 16 to 62 are an integral part of these financial statements.

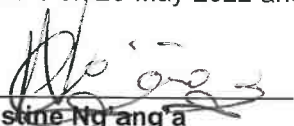


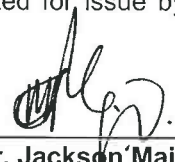
## Statement of financial position as at 31 December 2021

		31 December	
	Note	2021 Shs'000	2020 Shs'000 *Restated
<b>Capital employed</b>			
Share capital	11	1,028,998	1,028,998
Share premium	11	100,362	100,362
Accumulated losses		(998,096)	(497,184)
<b>Shareholders' funds</b>		<b>131,264</b>	<b>632,176</b>
<b>Assets</b>			
Property and equipment	12 (a)	64,121	77,748
Right of use assets	12 (b)	39,052	53,875
Intangible assets	13	1,007	4,840
Deferred tax asset	14	309,583	141,544
Investment property	15	50,000	70,000
Quoted equity investments at fair value through profit or loss	16	516	547
Receivables arising out of reinsurance arrangements	17 (a)	212,733	263,690
Receivables arising out of direct insurance arrangement	17 (b)	216,080	362,924
Reinsurers' share of insurance contract liabilities	18	1,143,154	1,234,846
Other receivables	19	87,142	38,525
Deferred acquisitions cost	20	243,969	198,477
Government securities at fair value through profit or loss	21	1,817,506	1,524,439
Secured loans to employees	22	194	312
Current income tax	10	152,130	42,671
Deposits with financial institutions	23	171,100	186,555
Cash and bank balances	23	159,129	86,268
		<b>4,667,416</b>	<b>4,287,261</b>
<b>Liabilities</b>			
Insurance contract liabilities	24	2,146,881	1,373,344
Unearned premium reserve	25	1,965,924	1,847,958
Creditors arising from reinsurance arrangements		93,079	64,607
Deferred reinsurance commissions	26	111,209	119,189
Lease liabilities	12 (b)	51,211	65,111
Other payables	27	167,848	184,876
<b>Total liabilities</b>		<b>4,536,152</b>	<b>3,655,085</b>
<b>Net assets</b>		<b>131,264</b>	<b>632,176</b>

\*See Note 30 for restatements.

The financial statements on pages 12 to 62 were approved and authorized for issue by the board of directors on 25 May 2022 and signed on its behalf by:

  
Christine Ng'ang'a  
Date: 25 May 2022

  
Dr. Jackson Maingi  
Date: 25 May 2022

The notes on pages 16 to 62 are an integral part of these financial statements.

**Statement of changes in equity for the year ended 31 December 2021**

Year ended 31 December 2020	Share capital Shs '000	Share premium Shs '000	Accumulated losses Shs '000	Total Shs '000
As at 01 January 2020	1,028,998	100,362	(84,828)	1,044,532
Total comprehensive income for the year:				
Loss for the year (*restated)	-	-	(412,356)	(412,356)
Restated balance as at 31 December 2020	1,028,998	100,362	(497,184)	632,176
Year ended 31 December 2021				
At start of year	1,028,998	100,362	(497,184)	632,176
Total comprehensive income for the year:				
Loss for the year	-	-	(500,912)	(500,912)
At end of year	1,028,998	100,362	(998,096)	131,264

\*See Note 30 for restatements.

The notes on pages 16 to 62 are an integral part of these financial statements.

## Statement of cash flows for the year ended 31 December 2021

	Note	2021 Shs '000	2020 Shs '000 *Restated
<b>Operating activities</b>			
Cash generated from operations	29	320,397	135,494
Income tax paid	10	(109,459)	(35,718)
Interest received	6	178,794	99,370
<b>Net cash generated from operating activities</b>		<b>389,732</b>	<b>199,146</b>
<b>Investing activities</b>			
Purchase of property and equipment	12 (a)	(4,040)	(6,056)
Proceeds from sale of investment property	15	-	420,000
Purchase of government securities	21	(345,809)	(583,397)
Disposal of government securities	21	27,770	-
Proceeds from secured loans		118	189
<b>Net cash used in investing activities</b>		<b>(321,961)</b>	<b>(169,264)</b>
<b>Financing activities</b>			
Payment of lease liabilities	12 (b)	( 23,984)	( 22,423)
<b>Net cash used in financing activities</b>		<b>( 23,984)</b>	<b>( 22,423)</b>
<b>Increase in cash and cash equivalents</b>		<b>43,787</b>	<b>7,459</b>
At start of year	23	272,823	253,365
Effects of changes in exchange rates	6	13,619	11,999
<b>At end of year</b>	<b>23</b>	<b>330,229</b>	<b>272,823</b>

\*See Note 30 for restatements.

The notes on pages 16 to 62 are an integral part of these financial statements.



## Notes to the financial statements (hereafter “Notes”)

### 1. General Information

Sanlam General Insurance Limited is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private limited liability Company and is domiciled in Kenya. The address of the registered office is included in page 1.

The Company transacts all classes of general insurance business except for Aviation and Micro-insurance.

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

### 2. Summary of significant accounting policies

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

#### a) Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies, Act, 2015. The financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through profit or loss and investment properties which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### Going concern

The financial performance of the Company is set out in the Director's report and in the statement of profit or loss and other comprehensive income. The financial position of the Company is set out in the statement of financial position and disclosures in respect of risk management are set out in Note 4.

The directors are aware of the following conditions:

- i. During the year under review, the Company reported an after tax loss of Shs 500 million (2020 an after tax loss of Shs 412 million). The cumulative losses as at 31 December 2021 was Shs 998 million (2020: Shs 497 million restated); and
- ii. The Company is non-compliant with minimum regulatory solvency requirements of 100% as at 31 December 2021.

The following are the mitigation factors put in place by the directors to address the matters above:

- i. The Company has received a Letter of Comfort from Sanlam Emerging Markets who indirectly own 41% of the shares of the Company. Sanlam Emerging Markets has committed to support the Company with funding and other support over the next 12 months to make it possible for the Company to meet its financial obligations;
- ii. Sanlam Emerging Markets has advanced a loan of Shs 1.085 billion to the Company to bridge the capital shortfall in the interim until the Shareholders inject additional capital into the Company. The Company received this subordinated debt on 5 May 2022 which restored the Capital Adequacy Ratio to 100%. The Company received approval from the Insurance Regulatory Authority (IRA) to use this debt in its solvency calculations; and
- iii. The Company has projected to return to profitability by the year 2022, projecting an after tax profit of Shs 207 million, which reflects the potential that the Company has and hence reaffirms the ability of the Company to continue as a going concern. Management has put in place a turnaround strategy aimed at improving the profitability, and hence the solvency position of the Company. The Company has revamped the motor private business and also exited the medical business in the last quarter of 2021 so as to focus on its core strength in non-medical insurance.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### a) Basis of preparation (continued)

The Directors have taken into account the initiatives above and are confident that the going concern assumption is appropriate in the preparation of the financial statements. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. The basis assumes that the Company will continue as a going concern and also its operations for the foreseeable future.

#### b) Changes in accounting policy and disclosures

##### i. New standards, amendments and interpretations adopted by the Company

The following standards have been issued but do not have a material impact on the Company.

Number	Effective date	Executive summary
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021  (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021	The objective of the amendment is to provide lessees that have been granted Covid 19 related rent concessions by lessors with practical relief, while still providing useful information about leases to users of the financial statements.

##### ii) New standards, amendments and interpretations issued but not yet effective

The following standards have been issued but are not mandatory for the 31 December 2021 reporting periods.

Number	Effective date	Executive summary
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022  (Published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognized in profit or loss.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### b) Changes in accounting policy and disclosures (continued)

##### ii) *New standards, amendments and interpretations issued but not yet effective – continued*

Number	Effective date	Executive summary
Amendments to IAS 37 'Provisions, Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022  (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022  (Published May 2020)	These amendments include minor changes to: <ul style="list-style-type: none"> <li>IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.</li> <li>IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.</li> </ul>
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023  Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17.  (Published May 2017)	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p> <p>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognized over the coverage period.</p> <p>A side from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.</p>

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### b) Changes in accounting policy and disclosures (continued)

##### ii) New standards, amendments and interpretations issued but not yet effective – continued

Number	Effective date	Executive summary
		For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognized in profit or loss in the period in which they occur but over the remaining life of the contract.
IFRS 17, 'Insurance contracts' Amendments	Annual periods beginning on or after 1 January 2023  (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation which is already underway.

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

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

#### c) Insurance contracts

##### Premium income

For general insurance business, premium income is recognized on assumption of risk, and includes estimated premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premium represent the proportion of the premium written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date and is computed using the 1/365th method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

##### Claims payable

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the 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 year are closed and include provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the Company's experience. Outstanding claims are not discounted. The Company has used the Loss Reserving Triangle model to develop estimates of expected claims outstanding.



## **Notes (continued)**

### **2. Summary of significant accounting policies (Continued)**

#### **c) Insurance contracts – continued**

##### **Liability adequacy tests**

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 investments income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss.

##### **Commissions**

Commissions payable are recognized in the period in which the related premiums are written. Commissions receivable are recognized as income in the period in which they are earned.

##### **Reinsurance contracts held**

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

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

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

##### **Receivables and payables related to insurance contracts**

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. The Company assesses the receivable for impairment by reducing the carrying amount of the insurance receivables and recognizes that impairment loss in the profit or loss. The expected credit loss is calculated using the simplified approach as detailed under the financial assets note.

##### **Salvage and subrogation reimbursements**

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

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

Subrogation reimbursements are also considered as allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### d) Investment and other income

Investment income comprises (i) Interest income (ii) Dividend income (iii) Rental income; and (iv) realized/unrealized gains and losses. Investment income is stated net of investment expenses.

- Interest income is recognised on a time proportion basis that takes into account the effective yield on the assets.
- Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as part of the carrying amount of properties in the statement of financial position.
- Dividend income is recognised when the shareholders right to receive payment has been established.
- Realised/unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

#### e) Property and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the assets to its location and condition ready for its intended use.

Depreciation is calculated on the straight-line basis to write down the cost of each asset, to its residual value over its estimated useful life as follows:

Office equipment, furniture and fittings	8 years
Motor vehicles	4 years
Generator	4 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognized in the statement of comprehensive income.

Gains and losses on disposal of property and equipment is determined by reference to their carrying amount and are taken into account in determining operating profit/(loss).

#### f) Investment properties

Investment properties are long-term investments in land and buildings that are not occupied substantially for own use and hence held for capital appreciation and/ or to earn rentals. Investment properties are initially recognized at cost and subsequently measured at fair value representing market value determined annually by independent external registered valuers. Changes in fair value are recorded in profit and loss.

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

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### g) Financial assets

##### (i) Classification and impairment of financial assets

The Company classifies its financial assets into the following measurement categories;

- those to be measured subsequently at fair value through profit or loss (FVTPL);
- those to be measured subsequently at fair value through other comprehensive income (FVTOCI); and
- those to be measured at amortised cost.

##### (ii) Recognition and derecognition

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

##### (iii) Measurement

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

#### *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:

- (i) the Company's business model for managing the financial assets; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

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

**FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/losses and impairment expenses are presented as separate line item in the statement of profit or loss.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### g) Financial assets (continued)

##### (iii) Measurement (continued)

- FVTPL: Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/losses in the period in which it arises.

##### *Equity Instruments*

The Company subsequently measures all equity investments at FVTPL. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends earned are recognized in the profit or loss statement and are included in the 'investment income' line item. There was no dividend income recognized during the year ended 31 December 2021 (2020: Shs Nil). The Company's assets in the FVTOCI category had a total carrying value of Shs Nil as at 31 December 2021 (2020: Shs Nil).

Changes in the fair value of financial assets at FVTPL are recognized in investment income in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Equity securities (quoted), government securities and deposits with financial institutions are classified at fair value through profit or loss. The Company's assets at FVTPL at the end of the year were Shs. 1,989,122,000 (2020: Shs. 1,711,541,000 (restated)).

##### (iv) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This includes listed equity securities and quoted debt instruments on major exchanges (Nairobi Securities Exchange). The quoted market price used for financial assets held by the Company is the current bid price.

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

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

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



## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### g) Financial assets (continued)

##### (iv) Determination of fair value – continued

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

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

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

##### (v) Impairment

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

The impairment model applies to the following financial instruments that are not measured at FVTPL:

- Receivables arising from reinsurance arrangements;
- Receivables arising from direct insurance arrangements;
- Rent and other receivables;
- Corporate bonds;
- Secured loans to employees;
- Deposits with financial institutions; and
- Cash and bank balances.

No impairment loss is recognized on equity investments and financial assets measured at FVTPL.

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

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

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

Loss allowances for most of the financial assets have been measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

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

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### g) Financial assets (continued)

##### (v) Impairment – continued

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

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

#### **Expected credit losses**

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

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

In applying the IFRS 9 impairment requirements, the Company follows one of the approaches below:

- The general approach
- The simplified approach

The Company applies the approaches below to each of its assets subject to impairment under IFRS 9:

Financial asset	Impairment approach
Receivables arising out of direct insurance arrangements	Simplified approach
Rent and intercompany receivables	General approach
Corporate bonds	General approach
Secured loans to employees	General approach
Cash and bank balances	General approach

#### **The General Approach**

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

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Company will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Company will recognise lifetime ECL, but interest income will continue to be recognized on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Company will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### (v) Impairment (continued)

##### *The General Approach – continued*

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

##### *The Simplified approach*

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

##### *Definition of default*

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

- the counterparty or borrower is unlikely to pay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the counterparty or borrower is more than 90 days past due on any material credit obligation to the Company. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Company.

In assessing whether the counterparty or borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

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

##### *Significant increase in credit risk (SICR)*

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

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

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

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

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

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

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### (v) Impairment (continued)

##### *Incorporation of forward-looking information*

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Company risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Company also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

##### *Measurement of ECL*

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

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

##### *Insurance receivables*

The ECL of operating lease receivables are determined using a provision matrix. Loss rates are calculated with reference to days past due and actual credit loss experience over the past five years.

#### (vi) Modification of contracts

The Company rarely renegotiates or otherwise modifies the contractual cash flows of securities. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the counterparty is in financial difficulty
- Whether any substantial new terms are introduced that affect the risk profile of the instrument
- Significant extension of the contract term when the borrower is not in financial difficulty
- Significant change in interest rate
- Change in the currency the security is denominated in
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the contract.



## **Notes (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **g) Financial assets (continued)**

##### **(vi) Modification of contracts – continued**

If the terms are substantially different, the Company derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new EIR for the asset. The date of recognition is consequently considered the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a SIICR has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

##### **(vii) Write off policy**

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

The Company may write-off financial assets that are still subject to enforcement activity if there is no reasonable expectation of recoverability. The outstanding contractual amounts of such assets written off during the year ended 31 December 2021 was Kshs Nil (2020: Nil). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

#### **h) Leases**

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk free borrowing rate adjusted for country premium.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### i) Financial liabilities

The Company's financial liabilities which include borrowings, trade and other payables and lease liabilities fall into the following categories:

**Financial liabilities measured at amortised cost:** these are initially measured at fair value and subsequent measured at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

All financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or expired.

#### j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

#### k) Impairment of non-financial assets and tangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of tangible 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 assets is estimated in order to determine the extent of the impairment loss (if any).

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## **Notes (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **l) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three month or less, and bank overdrafts.

#### **m) Foreign currency translation**

##### **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Kenya Shillings rounded to the nearest thousand (Shs '000) which is the Company's functional and presentation currency.

##### **Translation of foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

#### **n) Provisions**

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an overflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated. Provisions for future opening losses are not recognized.

Where there are a number of similar obligations, the likelihood that an overflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an overflow with respect to any one item included in the same class of obligation may be small.

The amount recognized as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre-tax rate that reflects the current market assessment of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense in profit or loss under finance cost.

#### **o) Employee benefits**

##### **(i) Retirement benefit obligations**

The Company operates a defined contribution scheme for employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Company's and employees. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The employees of the Company are also members of the National Social Security Fund ("NSSF").

The Company's contributions to the defined contribution scheme and NSSF are charged to profit or loss in the year to which they relate.

## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### o) Employee benefits (continued)

##### (ii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

#### p) Income tax expense

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

##### (i) Current income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same entity.

#### q) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### **Computer software**

Computer software licences are capitalized on basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 5 (five) years.

Cost associated with maintaining computer software programmes are recognized as an expense as incurred. Cost that are directly associated with the acquisition of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding cost beyond one year, are recognized as intangible assets.



## Notes (continued)

### 2. Summary of significant accounting policies (continued)

#### r) Dividends

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

#### s) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

### 3. Critical accounting estimates and judgments

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

The estimation of future benefit payments from general insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay such claims. The determination of the liabilities under insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected amounts of claim to be paid in future.

Judgment is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the Company will ultimately pay for such claims. Care estimates are computed on the basis of the best information available at the time the records for the year are closed.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- The valuation of insurance contract liabilities;
- Fair valuation of certain financial assets;
- Fair values of investment properties;
- Classification of financial assets; and
- Impairment of financial assets.

**Impairment of financial assets** - the Company reviews their portfolio of financial assets measured at amortized cost on an annual basis. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for a forward-looking scenarios for each type of product /market and associated ECL; and
- Establishing groups of similar assets for the purposes of measuring ECL.

**Fair value measurement and valuation process-** in estimating the fair value of the assets or a liability, the Company uses market-observed data to the extent it is available. Where level 1 inputs are not available, the Company makes use of financial models or engages third party qualified valuers to perform the valuation techniques and inputs to the model.

## Notes (continued)

### 3. Critical accounting estimates and judgments (continued)

**Right of use asset and lease liabilities** – in determining the applicable discount rate on present value of the lease liabilities, the directors' assumptions are based on the risk free rate together with inflation rate, country risk and market premium.

**Income taxes** – in determining the provision for income taxes, there are many transactions and calculations for which the ultimate tax determination is uncertain during ordinary course of business. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

### 4. Management of insurance and financial risk

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

This section summarizes the way the Company manages key risks.

#### A. Insurance risk

The risk under any one insurance 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 insurance contract, this risk is random and therefore unpredictable.

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

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

## Notes (continued)

### 4. Management of insurance and financial risk (continued)

#### A. Insurance risk (continued)

The following tables disclose the concentration of insurance liabilities by the class of business represented by the maximum insured loss:

#### Year ended 31 December 2021

December 2021		Maximum Insured Loss			
			Shs 15 -	Shs 250 -	
		Shs 0-15m	250m	1000m	Total
		000'	000'	000'	000'
Motor	Gross	164,295,266	212,264,579	19,980,729	396,540,574
	Net	33,484,000	13,834,000	82,000	47,400,000
Fire	Gross	16,184,861	150,355,965	58,316,093	224,856,919
	Net	14,853,670	110,980,977	15,588,107	141,422,754
Personal accident	Gross	548,220	11,859,154	11,408,940	23,816,314
	Net	511,862	8,430,583	7,815,125	16,757,570
Others	Gross	9,832,059	74,845,681	46,612,692	131,290,432
	Net	9,141,622	46,821,589	19,579,176	75,542,387
Total	Gross	190,860,406	449,325,379	136,318,454	776,504,239
	Net	57,991,154	180,067,149	43,064,408	281,122,711

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year.

#### Year ended 31 December 2020

2020		Maximum Insured Loss			
		Shs 0-15m	Shs 15 - 250m	Shs 250 -	
		000'	000'	1000m	Total
				000'	000'
Motor	Gross	45,526,595	7,873,952	3,033,886	56,434,433
	Net	3,576,981	7,873,952	-	11,450,933
Fire	Gross	24,230,316	72,263,630	46,439,680	142,933,626
	Net	3,904,000	7,959,377	562,446	12,425,823
Personal accident	Gross	306,589	2,537,826	1,022,942	3,867,357
	Net	72,000	194,000	20,000	286,000
Others	Gross	11,765,315	51,094,951	32,957,252	95,817,518
	Net	809,180	5,808,220	1,255,300	7,872,700
Total	Gross	81,828,815	133,770,359	83,453,760	299,052,934
	Net	8,362,161	21,835,549	1,837,746	32,035,456

#### B. Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts.

The most important types of risks are credit risk, liquidity risk, market risk and other operational risks. Market risks include currency risk, interest rate risk, equity price risk and other price risks. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are; interest rate risk and credit risk.

## Notes (continued)

### 4. Management of insurance and financial risk (continued)

#### B. Financial risk (continued)

##### (i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States (US) Dollar. The Company has cash and bank balances in (US) Dollar. The assets denominated in US Dollar at year end amounted to Shs. 20,508,854 (2020: Shs 212,526,147) representing only 1% (2020: 4%) of total assets.

At 31 December 2021, if the shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the pre tax profit for the year would have been Shs 1,025,000 (2020: Shs 10,626,000) higher/lower as a result of cash and bank balances.

	2021	2020
	Shs'000	Shs'000
Foreign exchange movement	1,025	10,626
<b>Exchange Rates</b>		
Closing rate in Shs per 1 USD	113.14	109.17
Average rate in Shs per 1 USD	109.65	106.47

##### (ii) Price risk

The Company is exposed to equity securities price risk because of investment in quoted securities and treasury bonds classified as fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its risk arising from investments in equity the Company diversifies its portfolio on several counters. Diversification of the portfolio is done in accordance with limits set by the Company and guidelines as per the Insurance Act. All quoted shares and treasury bonds held by the Company are traded on the Nairobi Securities Exchange (NSE).

As at 31 December 2021, the Company had quoted equities of Shs 516,000 (2020: Shs 547,000). If the NSE index had increased/decreased by 5% (2020: 5%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation to the index, the post-tax profit movement would have been Shs 26,000 (2020: Shs 5,000) higher/lower.

	2021	2020
	Shs'000	Shs'000
Quoted equities impact	26	5

##### (iii) Cash flow and fair value interest rate risk

Fixed interest rate financial instruments expose the Company to fair value interest rate risk. Variable interest rate financial instruments expose the Company to cash flow interest rate risk.

The Company's fixed interest rate financial instruments are government securities and deposits with financial institutions. The Company has no variable interest rate instruments.

No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments.

## Notes (continued)

### 4. Management of insurance and financial risk (continued)

#### B. Financial risk (continued)

##### (iii) Cash flow and fair value interest rate risk (continued)

The following assets were subject to fair value interest risk at the end of the year:

	2021	2020
	Shs'000	Shs'000
Government securities at fair value through profit or loss	1,817,506	1,524,439
Deposits with financial institutions	171,100	186,555
	<u>1,988,606</u>	<u>1,710,994</u>

As at 31 December 2021, if the interest rates applicable to the above mentioned financial instruments had increased/decreased by 5% (2020: 5%) with all other variables held constant, the change to the post tax profit would not have been significant as the instruments are placed in fixed interest rate instruments.

##### (iv) Credit risk

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

- receivables arising out of direct insurance arrangements;
- receivables arising out of reinsurance arrangements;
- Secured loans to employees;
- reinsurer's share of insurance liabilities; and
- Deposits with financial institutions.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liabilities as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The credit worthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalization of any contract. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

In addition, management assesses the creditworthiness of all insurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

Other areas where credit risk arises include deposits with banks and other receivables. The Company has no significant concentrations of credit risks. The Company structures the levels of credit risks it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to 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.



## Notes (continued)

### 4. Management of insurance and financial risk (continued)

#### B. Financial risk (continued)

##### (iv) Credit risk (continued)

##### Maximum exposure to credit risk

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

	2021 Shs'000	2020 Shs'000 Restated
Receivables arising out of direct insurance arrangements	216,080	362,924
Receivables arising out of reinsurance arrangements	212,733	263,690
Secured loans to employees	194	312
Other receivables (excluding prepaid expenses)	78,515	32,878
Deposits with financial institutions	171,100	186,555
Cash and bank balances	159,129	86,268
	<b>837,751</b>	<b>932,627</b>

No collateral is held for the above assets.

The staging of the Company's premium debtors arising from direct insurance arrangements and subject to impairment is as follows:

At 31 December 2021	Stage 1 Shs'000	Stage 2 Shs'000	Stage 3 Shs'000	Total Shs'000
Receivables arising out of direct insurance arrangements	100,009	116,071	448,574	664,654
Receivables arising out of reinsurance arrangements	144,170	68,563	153,422	366,155
Expected credit loss	-	-	(601,996)	(601,996)
	<b>244,179</b>	<b>184,634</b>	<b>-</b>	<b>428,813</b>
At 31 December 2020 Restated	Stage 1 Shs'000	Stage 2 Shs'000	Stage 3 Shs'000	Total Shs'000
Receivables arising out of direct insurance arrangements	240,773	122,151	404,514	767,438
Receivables arising out of reinsurance arrangements	75,848	49,474	138,368	263,690
Expected credit loss	-	-	(404,514)	(404,514)
	<b>316,621</b>	<b>171,625</b>	<b>138,368</b>	<b>626,614</b>

## Notes (continued)

### 4. Management of insurance and financial risk (continued)

#### B. Financial risk (continued)

##### (iv) Credit risk (continued)

##### Maximum exposure to credit risk (continued)

The staging of the Company's other financial instruments subject to impairment is as follows:

<b>At 31 December 2021</b>	<b>Stage 1 Shs'000</b>	<b>Stage 2 Shs'000</b>	<b>Stage 3 Shs'000</b>	<b>Total Shs'000</b>
Receivables arising out of reinsurance arrangements	212,733	-	-	212,733
Secured loans to employees	194	-	-	194
Other receivables (excluding prepaid expenses)	78,515	-	-	78,515
Cash and bank balances	159,129	-	-	159,129
	<b>450,571</b>	<b>-</b>	<b>-</b>	<b>450,571</b>

<b>At 31 December 2020</b>	<b>Stage 1 Shs'000</b>	<b>Stage 2 Shs'000</b>	<b>Stage 3 Shs'000</b>	<b>Total Shs'000</b>
Receivables arising out of reinsurance arrangements	263,690	-	-	263,690
Secured loans to employees	312	-	-	312
Other receivables (excluding prepaid expenses)	32,878	-	-	32,878
Cash and bank balances	86,268	-	-	86,268
	<b>383,148</b>	<b>-</b>	<b>-</b>	<b>383,148</b>

##### v) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Company is exposed to daily calls on its available cash for claims settlement and other administration expenses. The Company does not maintain cash resources to meet all of these needs as experience shows that maximum level of reinvestment of maturing funds can be predicted with a high level of certainty. The board sets limits on the minimum level of bank overdraft facilities that should be in place to cover expenditure at unexpected levels of demand.

## Notes (continued)

### 4. Management of insurance and financial risk (continued)

#### B. Financial risk (continued)

##### v) Liquidity risk (continued)

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities (other than insurance liabilities which are based on expected maturities) at the reporting date.

<b>At 31 December 2021</b>	<b>Up to 1 month Shs'000</b>	<b>1 to 3 months Shs'000</b>	<b>3 to 12 months Shs'000</b>	<b>1 to 5 years Shs'000</b>	<b>Over 5 years Shs'000</b>	<b>Total Shs'000</b>
Insurance contract liabilities	53,578	540,818	746,114	657,261	149,110	2,146,881
Creditors arising from reinsurance arrangements	-	93,079	-	-	-	93,079
Other payables	-	167,848	-	-	-	167,848
Lease liabilities	2,126	8,069	18,533	22,483	-	51,211
	<b>55,704</b>	<b>809,814</b>	<b>764,647</b>	<b>679,744</b>	<b>149,110</b>	<b>2,459,019</b>

<b>At 31 December 2020 Restated</b>	<b>Up to 1 month Shs'000</b>	<b>1 to 3 months Shs'000</b>	<b>3 to 12 months Shs'000</b>	<b>1 to 5 years Shs'000</b>	<b>Over 5 years Shs'000</b>	<b>Total Shs'000</b>
Insurance contract liabilities	147,016	140,467	586,294	403,542	96,025	1,373,344
Creditors arising from reinsurance arrangements	-	64,607	-	-	-	64,607
Other payables	-	184,876	-	-	-	184,876
Lease liabilities	1,830	3,951	18,048	41,282	-	65,111
	<b>148,846</b>	<b>393,901</b>	<b>604,342</b>	<b>444,824</b>	<b>96,025</b>	<b>1,687,938</b>

#### Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

IFRS 7 : Financial Instruments Disclosure requires disclosure of fair value measurements by the following levels of hierarchy for financial instruments that are measured in the statement of financial position at fair value into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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



## Notes (continued)

### 4. Management of insurance and financial risk (continued)

#### C. Financial risk (continued)

##### Fair value estimation (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The following table represents the Company's assets that are measured at fair value at 31 December 2021 and 31 December 2020.

At 31 December 2021	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Equity investments	516	-	-	516
Investment property	-	-	50,000	50,000
Government securities	1,817,506	-	-	1,817,506
Deposits with financial institutions	-	171,100	-	171,100
	<b>1,818,022</b>	<b>171,100</b>	<b>50,000</b>	<b>2,039,122</b>
At 31 December 2020	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Equity investments	547	-	-	547
Investment property	-	-	70,000	70,000
Government securities	1,524,439	-	-	1,524,439
Deposits with financial institutions	-	186,555	-	186,555
	<b>1,524,986</b>	<b>186,555</b>	<b>70,000</b>	<b>1,781,541</b>

The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments in entities listed at the Nairobi Securities Exchange. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There was no movement between the levels during the year. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Fair value of government securities is based on a yield curve based on trends at the Nairobi Securities Exchange.

## Notes (continued)

### 4. Management of insurance and financial risk (continued)

#### B. Financial risk (continued)

#### Financial assets by category

##### Financial assets at 31 December 2021

	Amortized cost Shs'000	Fair value through profit and loss Shs'000	Total Shs'000	Fair value Shs'000
Equity investments	-	516	516	516
Government securities	-	1,817,506	1,817,506	1,817,506
Receivables arising out of reinsurance arrangements	212,733	-	212,733	212,733
Receivables arising out of direct insurance arrangements	216,080	-	216,080	216,080
Deposits with financial institutions	171,100	-	171,100	171,100
Other receivables	87,142	-	87,142	87,142
Secured loans to employees	194	-	194	194
Cash and cash equivalents	159,129	-	159,129	159,129
	<b>846,378</b>	<b>1,818,022</b>	<b>2,664,400</b>	<b>2,664,400</b>

##### Financial assets at 31 December 2020

#### Restated

	Amortized cost Shs'000	Fair value through profit and loss Shs'000	Total Shs'000	Fair value Shs'000 Restated
Equity investments	-	547	547	547
Government securities	-	1,524,439	1,524,439	1,524,439
Receivables arising out of reinsurance arrangements	263,690	-	263,690	263,690
Receivables arising out of direct insurance arrangements	362,924	-	362,924	362,924
Deposits with financial institutions	186,555	-	186,555	186,555
Other receivables	38,525	-	38,525	38,525
Secured loans to employees	312	-	312	312
Cash and cash equivalents	86,268	-	86,268	86,268
	<b>938,274</b>	<b>1,524,986</b>	<b>2,463,260</b>	<b>2,463,260</b>

## Notes (continued)

### 4. Management of insurance and financial risk (continued)

#### B. Financial risk (continued)

##### Financial liabilities by category

Financial liabilities at amortised cost	2021 Shs'000	2020 Shs'000 Restated
Creditors arising from reinsurance arrangements	93,079	64,607
Other payables	167,848	184,876
Lease liabilities	51,211	65,111
	<b>312,138</b>	<b>314,594</b>

The carrying value of financial liabilities not carried at fair value approximate their fair values.

#### Capital management

##### Internally imposed capital requirements

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

- to comply with the capital requirements as set out in the Insurance Act;
- to comply with regulatory solvency requirements as set out in the Insurance Act.
- to safeguard the Company's ability to continue as going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurate with the level of risk.

##### Externally imposed capital requirements

The Insurance Act requires a general insurance Company to hold the minimum level paid up capital as the higher of:

- Shs 600 million;
- Risk based capital determined from time to time; or
- 20% of the net earned premiums of the preceding financial year.

During the year the Company did not meet the requirements for the minimum paid up capital for an insurance business as prescribed by section 41 (1) of the Insurance Act.

The capital adequacy ratio at the end of the year was -81% (2020: 133%).

## Notes (continued)

### 5. Gross earned premium

	2021 Shs'000	2020 Shs'000
Engineering	131,595	50,927
Fire domestic	70,969	80,358
Fire industrial	488,626	408,393
Liability	211,173	135,527
Marine	45,672	37,335
Motor private	945,784	680,844
Motor commercial	1,071,778	739,387
Motor PSV	312,750	182,529
Personal accident	10,840	58,850
Medical	751,679	1,119,173
Theft	154,748	138,793
Workmen compensation	425,681	96,207
Miscellaneous	51,461	12,772
	<b>4,672,756</b>	<b>3,741,095</b>

### 6. Investment and other income

	2021 Shs'000	2020 Shs'000
Interest from government securities	165,120	69,938
Interest from deposit with financial institutions	13,674	29,432
	<b>178,794</b>	<b>99,370</b>
Rental income from investment properties	( 5,405)	6,357
Realized loss on investment properties	-	(3,500)
Fair value loss on investment property	(20,000)	-
Fair value (loss)/gain on government securities	(24,972)	41,034
Other income	11,065	29,630
Foreign exchange gain	13,619	11,999
	<b>153,101</b>	<b>184,890</b>

Other income comprises pool investment income earned during the year.

## Notes (continued)

### 7. Net claims incurred

	2021 Shs'000	2020 Shs'000
Engineering	7,528	3,293
Fire domestic	12,335	12,887
Fire industrial	51,536	894
Liability	13,752	1,408
Marine	940	7,321
Motor private	967,476	481,571
Motor commercial	842,243	431,731
Motor PSV	393,005	68,165
Personal accident	26,036	(187)
Medical	150,665	138,572
Theft	21,989	11,352
Workmen compensation	30,278	13,188
Miscellaneous	1,769	(2,547)
	<b>2,519,552</b>	<b>1,167,648</b>

### 8. Operating and other expenses

	2021 Shs'000	2020 Shs'000 Restated
Staff costs (note 9)	358,340	342,049
Office and administrative expenses	334,173	412,897
Audit fees	3,935	3,435
Depreciation of property and equipment	17,625	17,237
Amortisation of intangible assets	3,833	4,962
Marketing expenses	56,051	56,599
Provision for doubtful insurance receivables	208,467	149,401
Other expenses	46,814	360,076
	<b>1,029,238</b>	<b>1,346,656</b>

### 9. Staff costs

Staff costs comprise of:

Salaries and wages	299,337	265,239
Pension and retirement benefits		
-Defined benefit cost	28,789	27,699
-National Social Security Fund (NSSF)	191	184
Other staff costs	30,023	48,927
	<b>358,340</b>	<b>342,049</b>

The number of staff employed by the company as at end of the period was 77 (2020: 80).

## Notes (continued)

### 10. Current tax expense

	2021 Shs'000	2020 Shs'000 Restated
Current tax	-	16,233
Deferred tax (credit)/charge (Note 14)	(165,789)	2,115
Prior year adjustment	( 2,250)	481
Prior year capital gain tax	-	8,248
<b>Total tax (charge) /credit</b>	<b>(168,039)</b>	<b>27,077</b>

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows:

	2021 Shs'000	2020 Shs'000 Restated
Loss before tax	(668,951)	(385,279)
Tax calculated at a tax rate of 30% (2020: 25%)	(200,685)	(96,320)
Tax effects of:		
Income not subject to tax	( 7,357)	(30,570)
Expenses not deductible for tax purposes	42,253	145,238
Prior year capital gain tax	-	8,248
Prior year adjustment	( 2,250)	481
	<b>(168,039)</b>	<b>27,077</b>

The current tax movement during the year was as follows:

	2021 Shs'000	2020 Restated Shs'000
At start of year	42,671	34,030
Charge for the year	-	(27,077)
Paid in the year	109,459	35,718
<b>At end of the year</b>	<b>152,130</b>	<b>42,671</b>

### 11. Share capital and share premium

	Number of shares	Ordinary share capital Shs'000	Share premium Shs'000
Balance at 31 December 2021 and 31 December 2020	205,799,630	1,028,998	100,362

The total authorized and issued number of ordinary shares is 205,799,630 with a par value of Shs 5. All issued shares are fully paid.

Share premium arose on issue of shares at a premium and is not distributable.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares ranked equally with regards to the Company residual assets.



**Notes (continued)**

**12 (a). Property and equipment**

**Year ended 31 December 2021**

<b>Cost or revaluation</b>	<b>Motor vehicles Shs'000</b>	<b>Office, equipment and fittings Shs'000</b>	<b>Computer equipment Shs'000</b>	<b>Generator Shs'000</b>	<b>Total Shs'000</b>
At start of year	1,375	141,035	43,842	2,745	188,997
Additions	-	1,546	2,494	-	4,040
Disposals	-	-	-	(2,745)	(2,745)
<b>At end of year</b>	<b>1,375</b>	<b>142,581</b>	<b>46,336</b>	<b>-</b>	<b>190,292</b>
<b>Comprising</b>					
At cost	1,375	142,581	46,336	-	190,292
At valuation	-	-	-	-	-
<b>Depreciation</b>					
At start of year	1,375	67,045	40,084	2,745	111,249
Charge for the year	-	14,570	3,097	-	17,667
Disposals	-	-	-	(2,745)	(2,745)
<b>At end of year</b>	<b>1,375</b>	<b>81,615</b>	<b>43,181</b>	<b>-</b>	<b>126,171</b>
<b>Net book value</b>	<b>-</b>	<b>60,966</b>	<b>3,155</b>	<b>-</b>	<b>64,121</b>

**Notes (continued)**

**12 (a). Property and equipment (continued)**

Year ended 31 December 2020

	Motor vehicles Shs'000	Office, equipment and fittings Shs'000	Computer equipment Shs'000	Generator Shs'000	Total Shs'000
<b>Cost or revaluation</b>					
At start of year	1,375	139,428	39,393	2,745	182,941
Additions	-	1,607	4,449	-	6,056
<b>At end of year</b>	<b>1,375</b>	<b>141,035</b>	<b>43,842</b>	<b>2,745</b>	<b>188,997</b>
<b>Comprising</b>					
At cost	1,375	141,035	43,842	2,745	188,997
At valuation	-	-	-	-	-
<b>Depreciation</b>					
At start of year	1,375	52,240	37,476	2,745	93,836
Charge for the year	-	14,805	2,608	-	17,413
<b>At end of year</b>	<b>1,375</b>	<b>67,045</b>	<b>40,084</b>	<b>2,745</b>	<b>111,249</b>
<b>Net book value</b>	<b>-</b>	<b>73,990</b>	<b>3,758</b>	<b>-</b>	<b>77,748</b>

## **Notes (continued)**

### **12 (b). Leases**

#### **Company is a lessee**

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk-free borrowing rate adjusted for country premium.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease. Subsequently the right-of-use asset is measured at cost less accumulated depreciation and impairment.

Subsequently the lease liability is measured at amortised cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

The changes in leases which do not fall under the scope of COVID 19 related concessions are treated as lease modifications. Right of use assets are re-measured and gains or losses thereof recognised as finance cost in the statement of profit or loss under operating expenses.

#### **Company as a lessor**

The Company leases out certain properties under finance leases in its capacity as a lessor. The Company leases out its investment property and has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Investment property comprises one commercial property that is leased out to third parties. Each of the leases contains an initial non-cancellable period of 6 years. Subsequent renewals are negotiated with the lessee and historically the average renewal period is 6 years.

## Notes (continued)

### 12 (b). Leases (continued)

*Measurement of right of use asset and lease liabilities*

#### Right of use asset

	2021 Shs'000	2020 Shs'000
At start of year	53,875	69,900
New lease	2,803	-
Amortization of right of use asset	(17,626)	(16,025)
At end of year	<u>39,052</u>	<u>53,875</u>

#### Lease liabilities

	2021 Shs'000	2020 Shs'000
At start of year	65,111	78,412
New lease	2,803	-
Finance charge	7,281	9,122
Lease payments	(23,984)	(22,423)
At end of year	<u>51,211</u>	<u>65,111</u>

### 13. Intangible assets

	2021 Shs'000	2020 Shs'000
<b>Cost</b>		
At start and end of year	<u>48,663</u>	<u>48,663</u>
<b>Amortization</b>		
At start of year	43,823	38,861
Charge for the year	<u>3,833</u>	<u>4,962</u>
At end of year	<u>47,656</u>	<u>43,823</u>
Net book value	<u>1,007</u>	<u>4,840</u>

## Notes (continued)

### 14. Deferred tax asset

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2020: 30%) except for capital gains tax computed at 5%. The movement on the deferred tax account is as follows:

	2021 Shs'000	2020 Shs'000
At start of the year	141,544	144,140
Credit/(charge) to profit or loss (Note 10)	165,789	( 2,115)
Prior year adjustment	2,250	( 481)
<b>At end of year</b>	<b>309,583</b>	<b>141,544</b>

Deferred tax assets and deferred tax charge/ (credit) in profit or loss are attributable to the following items:

	At start of year Shs'000	Charge/ (credit) to profit or loss Shs'000	Prior year adjustment Shs'000	At end of year Shs'000
<b>Year ended 31 December 2021</b>				
<b>*Restated</b>				
Property and equipment:	(11,962)	( 2,135)	-	( 14,097)
Provision for doubtful debts	(98,119)	( 80,665)	(1,250)	(180,034)
IFRS 16	(2,473)	( 1,175)	-	( 3,648)
Deferred tax through other comprehensive income	4,267	-	(1,000)	3,267
Trading losses	-	(106,311)	-	(106,311)
Other temporary differences	(33,738)	26,747	-	(6,991)
Prior year adjustment	481	( 2,250)	-	( 1,769)
	<b>(141,544)</b>	<b>(165,789)</b>	<b>(2,250)</b>	<b>(309,583)</b>
<b>Year ended 31 December 2020</b>				
<b>*Restated</b>				
Property and equipment	( 7,467)	( 4,495)	-	( 11,962)
Provision for doubtful debts	(112,836)	14,236	481	( 98,119)
IFRS 16	( 2,473)	-	-	( 2,473)
Deferred tax through other comprehensive income	4,267	-	-	4,267
Other temporary differences	( 25,631)	( 8,107)	-	( 33,738)
Prior year adjustment	-	481	-	481
	<b>(144,140)</b>	<b>2,115</b>	<b>481</b>	<b>(141,544)</b>



## Notes (continued)

### 15. Investment property

#### 15.1 Reconciliation of carrying amount

	2021 Shs'000	2020 Shs'000
At start of year	70,000	490,000
Disposal	-	(420,000)
Fair value loss	(20,000)	-
<b>At end of year</b>	<b>50,000</b>	<b>70,000</b>

At 31 December 2021, the property located in Mombasa was measured as per the guidelines of IAS 40 'Investment Properties'.

Changes in fair value are recognized as loss in profit or loss and included as part of investment income.

#### 15.2 Amounts recognized in profit or loss

During 2021 Shs (5) million (2020: Shs 6 million) net of property expenses was recognized as rental income. In 2021, Shs. 3.2 million was paid as legal fee for sale of property.

#### 15.3 Measurement of fair values

##### i. Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, Knight Frank Valuers Ltd, who have appropriate recognized professional qualifications and recent experience in the location and category of the property valued. Investment property is valued annually by the independent valuers.

The fair value measurement for the investment property has been categorized as a level 3 fair value based on the inputs to the valuation techniques used (see note 4(B)).

##### ii. Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair values of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants.	Expected market rental growth 5%. Holding period of 6 years. Occupancy rate 60%. Rent-free periods 6 months at the beginning of each lease. Discount rate 14%.	The estimated fair value would increase (decrease) if: – expected market rental growth were higher (lower); – void periods were shorter (longer); – the occupancy rate were higher (lower); – rent-free periods were shorter (longer); or – the discount rate were lower (higher).

## Notes (continued)

### 16. Equity investments

	2021 Shs'000	2020 Shs'000
At start of year	547	754
Fair value loss	(31)	(207)
<b>At end of year</b>	<b>516</b>	<b>547</b>

### 17 (a). Receivables arising out of reinsurance arrangements

	2021 Shs'000	2020 Shs'000
At start of year	263,690	344,055
Movement during the year	102,465	(80,365)
Provisions	(153,422)	-
<b>At end of year</b>	<b>212,733</b>	<b>263,690</b>

### 17 (b). Receivables arising out of direct insurance arrangements

	2021 Shs'000	2020 Shs'000 Restated
Gross receivables	656,268	759,051
Due from related parties (Note 28)	8,386	8,386
Expected credit loss allowance	(448,574)	(404,513)
<b>Net receivables</b>	<b>216,080</b>	<b>362,924</b>

The carrying value of receivables above approximates their fair value.

### 18. Reinsurers' share of insurance liabilities and reserves

	2021 Shs'000	2020 Shs'000
Reinsurers' share of:		
Notified claims outstanding	476,112	549,352
Unearned premium	544,203	607,376
Additional unexpired risk reserve (AURR)	6,087	-
Claims incurred but not reported (IBNR)	116,752	78,118
	<b>1,143,154</b>	<b>1,234,846</b>

## Notes (continued)

### 19. Other receivables

	2021 Shs'000	2020 Shs'000
Prepayments	8,627	5,647
Sundry debtors	78,515	24,883
Receivable on investment property disposed	-	7,995
	<b>87,142</b>	<b>38,525</b>

### 20. Deferred acquisition cost

	2021 Shs'000	2020 Shs'000
At start of year	198,477	97,457
Charge for the year	45,492	101,020
<b>At end of year</b>	<b>243,969</b>	<b>198,477</b>

### 21. Government securities

	2021 Shs'000	2020 Shs'000
At start of year	1,524,439	900,008
Additions	345,809	583,397
Disposals	(27,770)	-
Fair value (loss)/gain	(24,972)	41,034
<b>At end of year</b>	<b>1,817,506</b>	<b>1,524,439</b>

Treasury bills and bonds maturing:

	2021 Shs'000	2020 Shs'000
Within 1 year from the reporting date	140,000	75,000
Between 1 and 5 years of the reporting date	1,677,506	1,449,439
	<b>1,817,506</b>	<b>1,524,439</b>

Treasury bonds amounting to Shs. 360,000,000 (2020: Shs. 250,000,000) are held with Central Bank of Kenya under lien in accordance with Section 32 of the Insurance Act.

## Notes (continued)

### 21. Government securities (continued)

Weighted average interest rates at the reporting date were as follows:

	2021 %	2020 %
Government securities	11.68%	11.55%
Deposits with financial institutions	7.70%	6.13%

### 22. Secured loans to employees

	2021 Shs'000	2020 Shs'000
Secured loans to employees	194	312

### 23. Cash and cash equivalents

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise of the following:

	2021 Shs'000	2020 Shs'000 Restated
Cash and bank balances	159,129	86,268
Deposits with financial institutions	171,100	186,555
	<b>330,229</b>	<b>272,823</b>

	2021			2020		
	Gross Shs'000	Reinsurance Shs'000	Net Shs'000	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
Notified claims	1,151,499	549,352	602,147	763,698	204,449	559,249
Additional unexpired risk (AURR)	-	-	-	5,129	2,258	2,871
Incurred but not reported (IBNR)	221,845	78,118	143,727	178,849	51,306	127,543
<b>Total at start of year</b>	<b>1,373,344</b>	<b>627,470</b>	<b>745,874</b>	<b>947,676</b>	<b>258,013</b>	<b>689,663</b>
Cash paid for claims settled in year	(2,881,690)	(1,164,193)	(1,717,497)	(1,799,742)	(688,132)	(1,111,610)
Movement in liabilities:						
– arising from IBNR	280,393	38,708	241,685	42,995	26,812	16,183
– arising from AURR	27,403	6,087	21,316	(5,129)	(2,258)	(2,871)
– arising from current year claims	3,347,431	1,090,879	2,256,552	2,187,544	1,033,035	1,154,509
<b>Total at end of year</b>	<b>2,146,881</b>	<b>598,951</b>	<b>1,547,930</b>	<b>1,373,344</b>	<b>627,470</b>	<b>745,874</b>
Notified claims	1,617,240	476,112	1,141,128	1,151,499	549,352	602,147
Additional unexpired risk (AURR)	27,403	6,087	21,316	-	-	-
Incurred but not reported (IBNR)	502,238	116,752	385,486	221,845	78,118	143,727
<b>Total at end of year</b>	<b>2,146,881</b>	<b>598,951</b>	<b>1,547,930</b>	<b>1,373,344</b>	<b>627,470</b>	<b>745,874</b>



## Notes (continued)

### 24. Insurance contract liabilities (continued)

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

Accident year	2014 Shs'000	2015 Shs'000	2016 Shs'000	2017 Shs'000	2018 Shs'000	2019 Shs'000	2020 Shs'000	2021 Shs'000
Accident year	79,724	71,994	152,288	366,025	520,431	307,784	724,141	866,431
One year later	140,954	152,185	77,524	171,044	94,099	149,637	251,721	-
Two years later	140,957	86,936	52,955	76,710	45,894	99,010	-	-
Three years later	66,336	49,377	24,144	32,497	80,044	-	-	-
Four years later	44,677	31,803	8,762	37,199	-	-	-	-
Five years later	31,348	20,512	15,767	-	-	-	-	-
Six years later	15,816	16,171	-	-	-	-	-	-
Seven years later	11,689	-	-	-	-	-	-	-
Current estimate of cumulative claims	188,419	320,524	478,280	1,430,198	1,248,113	847,091	1,336,350	1,925,376
Cumulative payments to date	176,730	304,353	462,514	1,392,999	1,168,069	748,081	1,084,629	1,058,945
Incurring but not reported	27	4	1,685	19,145	16,418	9,049	99,989	502,238
Total gross claims liability included in the statement of financial position	11,716	16,175	17,451	56,344	96,463	108,059	351,710	2,146,881

### 25. Unearned premium

These provisions represent the liability for short-term business contracts where the Company's obligations have not expired at the year end.

	2021 Gross Shs'000	2021 Reinsurance Shs'000	2021 Net Shs'000	2020 Gross Shs'000	2020 Reinsurance Shs'000	2020 Net Shs'000
At start of year	1,847,958	(607,376)	1,240,582	1,265,707	(350,125)	915,582
Increase in the period (net)	117,966	63,173	181,139	582,251	(257,251)	325,000
At end of year	1,965,924	(544,203)	1,421,721	1,847,958	(607,376)	1,240,582

## Notes (continued)

### 26. Deferred reinsurance commission

	2021 Shs '000	2020 Shs '000
At start of year	119,189	48,235
Movement during the year	(7,980)	70,954
<b>At end of year</b>	<b>111,209</b>	<b>119,189</b>

### 27. Other payables

	2021 Shs'000	2020 Shs'000 Restated
Rent deposits	508	907
Other liabilities	95,090	50,232
Provision for outstanding leave	4,648	4,001
Intercompany –Sanlam Life Limited	1,892	724
Accruals	65,710	129,012
	<b>167,848</b>	<b>184,876</b>

### 28. Related party transactions and balances

Sanlam General Insurance Limited is controlled by Sanlam Kenya Plc, a company incorporated in Kenya. The Company's ultimate parent is Sanlam Limited, incorporated in South Africa. There are other companies related to Sanlam General Insurance Limited through common directorships. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

#### i. Transactions with related parties

Gross earned premium	Relationship	2021 Shs'000	2020 Shs'000
Sanlam Investment E.A. Limited	Common ultimate parent	4,473	4,598
Sanlam Life Insurance Limited	Common parent	21,925	6,459
Sanlam PLC Staff Retirement Benefit Scheme	Common parent	176	441
Sanlam Kenya PLC	Parent	503	2,038
Isaac G Wanjohi	Director	609	-
Sanlam Umbrella	Common parent	-	104
		<b>27,686</b>	<b>13,640</b>

## Notes (continued)

### 28. Related party transactions and balances (continued)

#### ii. Outstanding balances with related parties

	Relationship	2021 Shs'000	2020 Shs'000
<b>Amounts due from related parties</b>			
Saham Re	Common ultimate parent	2,511	-
Sanlam Pan Africa	Ultimate parent	19,051	14,980
		<b>21,562</b>	<b>14,980</b>
<b>Amounts due to related parties</b>			
Sanlam Life Insurance Company Ltd	Common parent	1,892	724
Sanlam Emerging Markets	Ultimate parent	2,143	14,206
Sanlam Securities	Common ultimate parent	920	1,659
		<b>4,955</b>	<b>16,589</b>
Premiums receivable from related parties	Directors	<b>8,386</b>	<b>8,386</b>

Related party balances are payable on demand and are non-interest bearing.

#### iii. Directors' remuneration

	2021 Shs'000	2020 Shs'000
Directors' fees and allowances	7,151	6,001
Directors' other remuneration	26,586	25,831
	<b>33,737</b>	<b>31,832</b>

#### iv. Key management compensation

Key management includes members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2021 Shs'000	2020 Shs'000
Remuneration of senior management	<b>130,657</b>	<b>115,879</b>

## Notes (continued)

### 29. Cash generated from operations

		2021 Shs'000	2020 Shs'000 Restated
Reconciliation of loss before tax to cash from operations:			
Loss before tax		(668,951)	(385,279)
<b>Adjustments for:</b>			
Depreciation of property and equipment	12(a)	17,667	17,413
Depreciation of right of use asset	12(b)	17,626	16,025
Amortisation of intangible assets	13	3,833	4,962
Finance charge on lease liabilities	12(b)	7,281	9,122
Interest income	6	(178,794)	( 99,370)
Realised gain on sale of investment property		-	3,500
Foreign exchange gain	6	( 13,619)	( 11,999)
Fair value loss on quoted shares	16	31	207
Fair value loss on investment property	6	20,000	-
Fair value loss/(gain) on government securities	6	24,972	( 41,034)
Changes in working capital:			
Insurance contract liabilities		773,537	425,668
Unearned premium reserves	25	117,966	582,251
Deferred acquisition cost		( 45,492)	( 52,786)
Deferred reinsurance commissions	26	( 7,980)	70,594
Receivables arising out of reinsurance arrangements		50,957	80,365
Receivables arising out of direct insurance arrangement		146,844	66,714
Reinsurers' share of insurance contract liabilities		91,692	(626,708)
Creditors arising from reinsurance arrangements		28,472	( 61,564)
Other payables		( 17,028)	121,901
Other receivables		( 48,617)	15,512
<b>Cash generated from operations</b>		<b>320,397</b>	<b>135,494</b>

### 30. Restatement of prior year comparatives

#### 30.1 Correction of errors

The company has restated the 2020 comparatives to take into account material omissions of management expenses, correct overstated cash and bank balances and correct overstated direct insurance receivables in the 2020 financial statements. The restatements did not have an impact on the 2019 financial statements hence these were not restated. The restatements resulted in the following changes:

#### Statement of financial position changes:

1. Receivables arising out of direct insurance arrangements reduced due to additional provisions for impairment.
2. Current income tax updated in line with changes in statement of profit and loss and other comprehensive income.
3. Deferred income tax updated in line with changes in statement of profit and loss and other comprehensive income.
4. Cash and bank balances correction of overstatement to write off unreconciled items.
5. Other payables updated to account for additional accruals.
6. Retained earnings declined due to changes in income statement.

#### Statement of profit or loss and other comprehensive income:

7. Operating and other expenses revised to account for additional accruals.
8. Income tax revised in line with changes in expenses.

#### Statement of cash flows:

9. Cash generated from operations revised to account for change in profitability.

## Notes (continued)

### 30. Restatement of prior year comparatives continued

#### 30.1 Correction of errors (continued)

##### Notes to the financial statements:

In line with the changes noted above, the relevant notes below have been updated:

Note 4 Management of insurance and financial risk (iv) Credit risk – receivables arising out of direct insurance arrangements.

Note 4 Management of insurance and financial risk (v) Liquidity risk – receivables arising out of direct insurance arrangements.

Note 4 Management of insurance and financial risk, fair value estimation – receivables arising out of direct insurance arrangements, other receivables and cash and cash equivalents.

Note 4 Management of insurance and financial risk, financial liabilities at amortized cost – other payables.

Note 8 Operating expenses – office and administrative expenses, marketing expenses, provision for doubtful insurance receivables and other expenses.

Note 10 Current tax expense

Note 14 Deferred tax

Note 17 (a) Receivables arising out of direct insurance arrangements

Note 23 Cash and cash equivalents

Note 27 Other payables

Note 29 Cash generated from operations – receivables arising out of direct insurance arrangements and trade and other payables

30.2 The tables below summarize the effect of the restatements to the Company's statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows

#### Statement of financial position as at 31 December 2020

	Impact of correction of errors		
	As previously reported Shs'000	Adjustment Shs'000	As restated Shs'000
<b>Capital employed</b>			
Share capital	1,028,998	-	1,028,998
Share premium	100,362	-	100,362
Retained earnings/(accumulated losses)	52,911	(550,095)	(497,184)
<b>Shareholders' funds</b>	<b>1,182,271</b>	<b>(550,095)</b>	<b>632,176</b>



## Notes (continued)

### 30. Restatement of prior year comparatives (continued)

30.2 The tables below summarize the effect of the restatements to the Company's statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows (continued)

	Impact of correction of errors		
	As previously reported Shs'000	Adjustment Shs'000	As restated Shs'000
<b>Assets</b>			
Property and equipment	77,748	-	77,748
Right of Use Assets	53,875	-	53,875
Deferred income tax	139,294	2,250	141,544
Receivables arising out of direct insurance arrangement	506,334	(143,410)	362,924
Current income tax	23,035	19,636	42,671
Cash and bank balances	446,344	(360,076)	86,268
Other assets	3,522,231	-	3,522,231
<b>Total assets</b>	<b>4,768,861</b>	<b>(481,600)</b>	<b>4,287,261</b>
<b>Liabilities</b>			
Lease liabilities	65,111	-	65,111
Other payables	116,381	68,495	184,876
Other liabilities	3,405,098	-	3,405,098
<b>Total liabilities</b>	<b>3,586,590</b>	<b>68,495</b>	<b>3,655,085</b>
<b>Net assets</b>	<b>1,182,271</b>	<b>(550,095)</b>	<b>632,176</b>

### Statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Impact of correction of errors		
	As previously reported Shs'000	Adjustment Shs'000	As restated Shs'000
Gross written premium	4,066,095	-	4,066,095
Net earned premium	2,046,760	-	2,046,760
Investment income	184,890	-	184,890
Commissions earned	365,399	-	365,399
<b>Total income</b>	<b>2,597,049</b>	<b>-</b>	<b>2,597,049</b>
Net claims incurred	1,167,648	-	1,167,648
Commissions payable	468,024	-	468,024
Operating and other expenses	774,676	571,980	1,346,656
<b>Total expenses</b>	<b>2,410,348</b>	<b>571,980</b>	<b>2,982,328</b>
Profit/(loss) before income tax	186,701	(571,980)	(385,279)
Income tax (expense) /credit	(48,962)	21,885	(27,077)
<b>Profit/(loss) for the year</b>	<b>137,739</b>	<b>(550,095)</b>	<b>(412,356)</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>137,739</b>	<b>(550,095)</b>	<b>(412,356)</b>

## Notes (continued)

### 30. Restatement of prior year comparatives (continued)

30.2 The tables below summarize the effect of the restatements to the Company's statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows (continued)

#### Statement of cash flows for the year ended 31 December 2020

	Impact of correction of errors 2020		
	As previously reported Shs'000	Adjustment Shs'000	As restated Shs'000
<b>Operating activities</b>			
Cash generated from operations	507,569	(360,076)	147,493
Income tax paid	(35,718)	-	(35,718)
Interest received	99,370	-	99,370
<b>Net cash generated from operating activities</b>	<b>571,221</b>	<b>(360,076)</b>	<b>211,145</b>
<b>Investing activities</b>			
Purchase of property and equipment	(6,056)	-	(6,056)
Proceeds from sale of investment property	420,000	-	420,000
Others	(583,208)	-	(583,208)
<b>Net cash used in investing activities</b>	<b>(169,264)</b>	<b>-</b>	<b>(169,264)</b>
<b>Financing activities</b>			
Payment of lease liabilities	( 22,423)	-	(22,423)
<b>Net cash used in financing activities</b>	<b>( 22,423)</b>	<b>-</b>	<b>(22,423)</b>
<b>Increase in cash and cash equivalents</b>	<b>379,534</b>	<b>(360,076)</b>	<b>19,458</b>
At start of year	253,365	-	253,365
<b>At end of year</b>	<b>632,899</b>	<b>(360,076)</b>	<b>272,823</b>

### 31. Subsequent events

On 5 May 2022, the Company received KShs 1.085 billion subordinated debt from Sanlam Emerging Markets (2020: none).

## General business revenue account 2021

(Amount in Shs'000)	Engineeri ng	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor PSV	Motor Commercial	Personal Accident	Medical	Theft	Workmens Compensa tion	Miscella neous	Total
Gross premium	133,928	70,077	512,179	201,596	52,945	923,164	1,208,056	332,912	8,213	736,067	147,268	474,864	52,634	4,853,903
Reinsurance expense	(102,035)	(19,296)	(397,948)	(169,118)	(17,023)	(52,864)	(103,146)	-	(6,566)	(556,126)	(147,227)	(99,297)	(51,287)	(1,721,933)
<b>Net premium written</b>	<b>31,893</b>	<b>50,781</b>	<b>114,231</b>	<b>32,478</b>	<b>35,922</b>	<b>870,300</b>	<b>1,104,910</b>	<b>332,912</b>	<b>1,647</b>	<b>179,941</b>	<b>41</b>	<b>375,567</b>	<b>1,347</b>	<b>3,131,970</b>
Unearned premiums b/f.	15,509	30,688	32,336	23,276	3,161	443,407	462,591	104,894	3,052	79,694	7,692	32,782	1,492	1,240,574
Unearned premiums c/f.	(17,843)	(29,796)	(55,889)	(13,698)	(10,434)	(420,787)	(598,870)	(125,047)	(533)	(64,082)	(212)	(81,858)	(2,672)	(1,421,721)
<b>Net earned premium</b>	<b>29,559</b>	<b>51,673</b>	<b>90,678</b>	<b>42,056</b>	<b>28,649</b>	<b>892,920</b>	<b>968,631</b>	<b>312,759</b>	<b>4,166</b>	<b>195,553</b>	<b>7,521</b>	<b>326,491</b>	<b>167</b>	<b>2,950,823</b>
Claims paid	(2,936)	(10,693)	(36,009)	(6,337)	(4,347)	(729,490)	(583,003)	(181,324)	(3,379)	(143,837)	(3,409)	(12,190)	(542)	(1,717,496)
Claims o/s - end of period	(10,360)	(3,387)	(23,279)	(12,815)	(2,250)	(529,511)	(539,060)	(306,161)	(23,414)	(33,352)	(29,863)	(33,112)	(1,366)	(1,547,930)
Claims o/s - start of period	5,768	1,745	7,752	5,400	5,658	291,524	279,821	94,480	757	26,524	11,283	15,024	138	745,874
<b>Total claims incurred</b>	<b>(7,528)</b>	<b>(12,335)</b>	<b>(51,536)</b>	<b>(13,752)</b>	<b>(939)</b>	<b>(967,477)</b>	<b>(842,242)</b>	<b>(393,005)</b>	<b>(26,036)</b>	<b>(150,665)</b>	<b>(21,989)</b>	<b>(30,278)</b>	<b>(1,770)</b>	<b>(2,519,552)</b>
Commissions	3,599	(9,187)	14,593	(6,520)	(3,471)	(89,279)	(99,787)	(20,834)	1,366	45,290	10,152	(74,355)	4,348	(224,085)
Management expenses	(15,008)	(23,643)	(69,395)	(18,621)	(13,066)	(337,104)	(234,203)	(50,061)	(2,573)	(174,319)	(4,688)	(80,415)	(6,142)	(1,029,238)
<b>Total expenses</b>	<b>(11,409)</b>	<b>(32,830)</b>	<b>(54,802)</b>	<b>(25,141)</b>	<b>(16,537)</b>	<b>(426,383)</b>	<b>(333,990)</b>	<b>(70,895)</b>	<b>(1,207)</b>	<b>(129,029)</b>	<b>5,464</b>	<b>(154,770)</b>	<b>(1,794)</b>	<b>(1,253,323)</b>
<b>Underwriting profit/(loss)</b>	<b>10,622</b>	<b>6,508</b>	<b>(15,660)</b>	<b>3,163</b>	<b>11,173</b>	<b>(500,940)</b>	<b>(207,601)</b>	<b>(151,141)</b>	<b>(23,077)</b>	<b>(84,141)</b>	<b>(9,004)</b>	<b>141,443</b>	<b>(3,397)</b>	<b>(822,052)</b>
<b>Ratios</b>														
Reinsurance ratio	76%	28%	78%	84%	32%	6%	9%	0%	80%	76%	100%	21%	97%	35%
Loss ratio	25%	24%	57%	33%	3%	108%	87%	126%	625%	77%	292%	9%	1060%	85%
Commission(net)	-12%	18%	-16%	16%	12%	10%	10%	7%	-33%	-23%	-135%	23%	-2604%	8%
Management expense ratio	51%	46%	77%	44%	46%	38%	24%	16%	62%	89%	62%	25%	3678%	35%

**General business revenue account 2020**  
**Restated**

(Amount in Shs'000)	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor PSV	Motor Commercial	Personal Accident	Medical	Theft	Workmens Compensation	Miscellaneous	Total
Gross premium	58,105	73,496	459,912	143,902	38,093	891,060	887,408	181,734	23,780	1,050,670	133,453	101,794	22,688	4,066,095
Reinsurance expense	(37,251)	(24,307)	(400,433)	(95,258)	(20,062)	(60,120)	(100,524)	-	(13,585)	(792,571)	(112,080)	(19,262)	(18,882)	(1,694,335)
<b>Net premium written</b>	<b>20,854</b>	<b>49,189</b>	<b>59,479</b>	<b>48,644</b>	<b>18,031</b>	<b>830,940</b>	<b>786,884</b>	<b>181,734</b>	<b>10,195</b>	<b>258,099</b>	<b>21,373</b>	<b>82,532</b>	<b>3,806</b>	<b>2,371,760</b>
Unearned premiums b/f.	8,332	37,550	3,819	14,901	2,403	261,942	275,730	92,668	4,000	178,246	13,985	21,119	887	915,582
Unearned premiums c/f.	(15,509)	(30,688)	(32,336)	(23,276)	(3,161)	(443,407)	(462,591)	(104,894)	(3,052)	(79,694)	(7,692)	(32,782)	(1,500)	(1,240,582)
<b>Net earned premium</b>	<b>13,677</b>	<b>56,051</b>	<b>30,962</b>	<b>40,269</b>	<b>17,273</b>	<b>649,475</b>	<b>600,023</b>	<b>169,508</b>	<b>11,143</b>	<b>356,651</b>	<b>27,666</b>	<b>70,869</b>	<b>3,193</b>	<b>2,046,760</b>
Claims paid	(4,016)	(14,074)	(10,612)	(9,254)	(5,381)	(462,812)	(325,327)	(75,461)	(370)	(180,364)	(9,754)	(16,302)	2,363	(1,111,364)
Claims o/s - end of period	(5,768)	(1,745)	(7,752)	(5,400)	(5,658)	(291,524)	(279,821)	(94,480)	(757)	(26,524)	(11,283)	(15,024)	(212)	(745,948)
Claims o/s - start of period	6,491	2,932	17,469	13,246	3,718	272,519	173,416	101,776	1,314	68,316	9,685	18,138	644	689,664
<b>Total claims incurred</b>	<b>(3,293)</b>	<b>(12,887)</b>	<b>(895)</b>	<b>(1,408)</b>	<b>(7,321)</b>	<b>(481,817)</b>	<b>(431,732)</b>	<b>(68,165)</b>	<b>187</b>	<b>(138,572)</b>	<b>(11,352)</b>	<b>(13,188)</b>	<b>2,795</b>	<b>(1,167,648)</b>
Commissions	5,425	(11,396)	27,603	(4,158)	957	(65,281)	(62,634)	(11,741)	1,515	32,209	575	(14,921)	(778)	(102,625)
Management expenses	(6,982)	(42,847)	(36,235)	(18,822)	(11,210)	(445,340)	(208,816)	(149,982)	(5,046)	(377,872)	(17,389)	(22,628)	(3,487)	(1,346,656)
<b>Total expenses</b>	<b>(1,557)</b>	<b>(54,243)</b>	<b>(8,632)</b>	<b>(22,980)</b>	<b>(10,253)</b>	<b>(510,621)</b>	<b>(271,450)</b>	<b>(161,723)</b>	<b>(3,531)</b>	<b>(345,663)</b>	<b>(16,814)</b>	<b>(37,549)</b>	<b>(4,265)</b>	<b>(1,449,281)</b>
<b>Underwriting profit/(loss)</b>	<b>8,827</b>	<b>(11,079)</b>	<b>21,435</b>	<b>15,881</b>	<b>(301)</b>	<b>(342,963)</b>	<b>(103,159)</b>	<b>(60,380)</b>	<b>7,799</b>	<b>(127,584)</b>	<b>(500)</b>	<b>20,132</b>	<b>1,723</b>	<b>(570,169)</b>
<b>Ratios</b>														
Reinsurance ratio	64%	33%	87%	66%	53%	7%	11%	0%	57%	75%	84%	19%	83%	42%
Loss ratio	24%	23%	3%	3%	42%	74%	72%	40%	-2%	39%	41%	19%	-88%	57%
Commission(net) Management expense ratio	-40%	20%	-89%	10%	-6%	10%	10%	7%	-14%	-9%	-2%	21%	24%	5%
	51%	76%	117%	47%	65%	69%	35%	88%	45%	106%	63%	32%	109%	66%