WAICA REINSURANCE (KENYA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

AT

31 DECEMBER 2021

WAICA REINSURANCE (KENYA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Contents

WAICA REINSURANCE (KENYA) LIMITED

COMPANY INFORMATION

DIRECTORS

Ezekiel Abiola Ekundayo*	Chairman
William Brownfield Coker**	
Eric Ato Botchway***	
George Otieno****	
William Olotch****	
Dr. Habil Olaka****	
Charles Edwin Etemesi ****	

* Nigerian
** Gambian
*** Ghanaian
**** Kenyan

PRINCIPAL OFFICER

Charles Edwin Etemesi	Chief Executive Officer

SECRETARY

FCS Lazarus Kimang'a
PO Box 25426 – 00100
Nairobi

REGISTERED OFFICE

3rd Floor, Real Towers Annex
Hospital Road, Upper Hill
PO Box 20495 – 00100
Nairobi

BANKERS

Ecobank Kenya Limited
Standard Chartered Bank Kenya Limited
Stanbic Bank Kenya Limited
NCBA Bank Kenya PLC
Bank of Africa Kenya Limited
KCB Bank Kenya Limited
UBA Bank Kenya Limited
The Co-operative Bank of Kenya Limited
Equity Bank Kenya Limited

AUDITOR

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers, Waiyaki Way
PO Box 40612 – 00100
Nairobi

WAICA REINSURANCE (KENYA) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors submit their report together with the audited financial statements of WAICA Reinsurance (Kenya) Limited for the year ended 31 December 2021.

1. Directors' responsibilities statement

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 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.

2. Incorporation

The Company was incorporated on 3 November 2017 under the Kenyan Companies Act, 2015 as a private company limited by shares, and is domiciled in Kenya.

3. Principal activity

The principal activities of the Company are to provide reinsurance services and technical assistance to insurance and reinsurance institutions from around the world.

4. Directors

The Directors who served during the year up to the date of this report are set out on page 1.

5. Results

The results for the year are set out on page 12.

6. Business overview

During the year 2021, the Company performed relatively well despite the effects of the COVID -19 pandemic in the backdrop of an increasingly competitive business environment. The Company recorded gross premium written growth of 105.8% from KShs 721.25 million in 2020 to KShs 1,484.37 million in 2021 (Note 7). The total asset base of the Company also improved by 38.36%, growing from KShs 1.77 billion in 2020 to KShs 2.44 billion in 2021. The Company posted profit before tax of KShs 274.6 million during the year compared to KShs 133.63 million profit before tax recorded in 2020. Principal risks and uncertainties facing the Company as per Note 5 to the financial statements.

The outlook for 2022 looks positive despite the effects of COVID-19 pandemic. The company in 2022 will focus on increased marketing in the country and within the East Africa region. This is expected to yield significant growth in 2022 as the company seeks to increase its participation in Treaty businesses in addition to the Facultative businesses largely underwritten in 2021. The Company directors are committed to achieving the laid down strategies and delivering value to the shareholders.

7. Dividend

The Directors do not recommend payment of a dividend for the period (2020 – Nil).

WAICA REINSURANCE (KENYA) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

8. Share capital

Details of the Company's share capital are shown in Note 25 to these financial statements.

9. (a) Employment of disabled people

WAICA Reinsurance (Kenya) Limited does not discriminate against disabled persons as it is clearly stated in the Company's staff handbook, Section 1.2(j) 'The Company shall not discriminate against a qualified individual with disability with regards to recruitment, advancement, training, compensation, discharge or other terms, conditions or privileges of employment'.

There were no disabled persons in the employment of the Company during the year.

(b) Health, safety and welfare at work

WAICA Reinsurance (Kenya) Limited has a medical scheme for all employees of the Company and a conducive office environment is maintained for staff and visitors, with adequate lighting and ventilation.

10. Employee involvement and training

There are various forums where the staff meet and discuss issues that relate to them and their progress at the workplace, these include unit meetings and regular general meetings.

There is an approved training schedule for staff and the Company also has a staff performance appraisal process through which staff are appraised and promotions and/or increments made.

11. Relevant audit information

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

(a) there was, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and

(b) each director has taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

12. Auditor

The Company's auditor, KPMG Kenya continues in the office in accordance with the provisions of the Kenya Companies Act, 2015.

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

WAICA REINSURANCE (KENYA) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

13. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the Directors held on 2 March 2022

BY ORDER OF THE BOARD

FCS Lazarus Kimang'a
Secretary

Date: 2 March 2022

WAICA REINSURANCE (KENYA) LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Shareholders being the ultimate owners of the entity appoint a Board of Directors to conduct the business of reinsurance on their behalf. The Board executes its responsibilities through Management and Board Committees that it creates from time to time. The responsibilities for daily operations are delegated to a management team appointed by the Board. A clear segregation of responsibilities between the Board and management is always maintained. The Board makes all policy decisions while management implements the decisions of the Board.

1. Board of directors

The directors who served during the year are set out on Page 1. The current Board is made up of seven directors inclusive of a non-executive chairman.

The Board meets on a quarterly basis and for all meetings held in 2021, all members of the Board attended.

2. Board committees

Tabulated below are Board and Management Committees, their composition and membership and functions.

Committee	Composition & membership		Main functions
Strategy and Operations & Enterprise Risk Management Committee	George Otieno (Chairman) William Brownfield Coker William Olotch	Non-Executive Non-Executive Non-Executive	Strategic decision making and strengthening the Enterprise risk management environment of the Company.
Finance and Investment Committee	Eric Ato Botchway (Chairman) Dr. Habil Olaka George Otieno	Non-Executive Non-Executive Non-Executive	Enhancing financial reporting and maximizing investment returns.
Remuneration Committee	William Brownfield Coker (Chairman) Dr. Habil Olaka Eric Ato Botchway	Non-Executive Non-Executive Non-Executive	Management & development of human resources.
Audit and Risk Committee	Dr. Habil Olaka (Chairman) William Brownfield Coker William Olotch	Non-Executive Non-Executive Non-Executive	Strengthening the control environment and ensuring compliance with all regulatory bodies.

The Board and Management Committees meet on a quarterly basis and for all meetings held in 2021, all members of the committees attended.

The Chief Finance Officer and the Secretary attend the meetings by invitation.

Charles Edwin Etemesi	Dr. Habil Olaka	Ezekiel Abiola Ekundayo
Principal Officer	*Director*	*Chairman*

Date: 2 March 2022

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WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors are responsible for the preparation and presentation of the financial statements of WAICA Reinsurance (Kenya) Limited (the "Company") set out on pages 12 to 55 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 statement including a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include determining that the basis of accounting 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 of the Company and its profit or loss.

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 have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 2 March 2022.

Charles Edwin Etemesi	Dr. Habil Olaka	Ezekiel Abiola Ekundayo
Principal Officer	*Director*	*Chairman*

Date: 2 March 2022.

WAICA REINSURANCE (KENYA) LIMITED

REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31 DECEMBER 2021

I have conducted an actuarial valuation of the reinsurance liabilities of WAICA Reinsurance (Kenya) Limited (the "Company") 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. Those principles require that prudent principles for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

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

In my opinion, the reinsurance liabilities reserves of the Company were adequate at 31 December 2021.

Abed Mureithi

Actuarial Services East Africa Ltd
PO Box 10472 – 00100
Nairobi

Date: 2 March 2022

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612 00100 GPO
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of WAICA Reinsurance (Kenya) Limited (the "Company") as set out on pages 12 to 55, 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 the financial position of WAICA Reinsurance (Kenya) 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.

Reinsurance contract liabilities	
See Notes 3(a), 4(i) and 33 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Valuation of reinsurance contract liabilities requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred but have not yet been reported to the Company (incurred but not reported (IBNR)).	Our audit procedures in this area included: — Evaluating key controls around the determination of reinsurance contract liabilities. This included assessing the design and operating effectiveness of controls over the claims handling and reserve setting processes of the Company;

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

Key audit matter (continued)

<table>
<tr><th colspan="2">Reinsurance contract liabilities – continued</th></tr>
<tr><td colspan="2">See Notes 3(a), 4(i) and 33 to the financial statements</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed</th></tr>
<tr><td>The estimates in respect of IBNR are generally subject to a greater degree of estimation uncertainty than that for reported claims. Significant assumptions such as the standard factors and loss adjustment factors are used to determine reinsurance contract liabilities. These assumptions, particularly those relating to the amount and timing of future claims, are highly sensitive and a slight change in the assumption can lead to a material change in the valuation of reinsurance contract liabilities.

As a result of the significant assumptions and complexity in estimating reinsurance contract liabilities, we have considered this to be a key audit matter.</td><td>— Using our actuarial specialists to review the reserving methodology applied and analytically reviewing the valuation results presented and movements since the previous year end. We focused on understanding the methodologies applied and examined areas of judgement such as changes in significant valuation assumptions;
— Evaluating the appropriateness of management's liability adequacy testing by assessing the historical IBNR sufficiency as well as the unexpired risk reserve; and
— Assessing the adequacy of disclosures in the financial statements in accordance with the requirements of IFRS 4 Insurance contracts.</td></tr>
</table>

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *WAICA Reinsurance (Kenya) Limited Annual Report and Financial Statements at 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.

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

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.

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 Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

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

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 pages 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, practicing certificate No. P/2172.

For and on behalf of:

KPMG Kenya
Certified Public Accountants
PO Box 40612 – 00100
Nairobi, Kenya

Date: 30 March 2022

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 KShs	2020 KShs
Gross earned premium	7	1,327,912,026	592,587,738
Less retrocession premiums		(231,545,053)	(186,114,116)
Net earned premium		**1,096,366,973**	**406,473,622**
Investment income	8	62,621,764	47,745,877
Commissions earned	9	71,246,677	67,013,767
Total income		**1,230,235,414**	**521,233,266**
Net claims incurred	10	(337,973,821)	(50,269,654)
Personnel expenses	11(a)	(99,032,152)	(84,507,589)
Other expenses	11(b)	(91,458,306)	(76,126,213)
Impairment of assets	11(c)	(91,905,335)	(50,479,313)
Commissions expense	12	(365,854,901)	(180,142,699)
Results from operating activities		**244,010,899**	**79,707,798**
Net finance income	13	30,623,490	53,925,441
Profit before income tax	14	**274,634,389**	**133,633,239**
Income tax charge	15(a)	(81,407,706)	(39,149,664)
Profit for the year		**193,226,683**	**94,483,575**
Other comprehensive income		-	-
Total comprehensive income		**193,226,683**	**94,483,575**

The notes set out on pages 16 to 55 form an integral part of these financial statements.

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

ASSETS	Note	2021 KShs	2020 KShs
Cash and bank balances	16	23,741,363	39,097,922
Investments	17	1,676,632,043	1,224,449,114
Deferred acquisition costs	21	148,026,634	90,673,985
Other receivables	18	15,548,746	35,988,204
Reinsurance premium receivables	19	374,285,833	220,059,130
Retrocessionaires share of technical liabilities	20	129,925,607	106,307,757
Deferred tax asset	22	52,781,745	13,509,978
Intangible asset	24	1,647,880	2,157,925
Property and equipment	23	21,691,074	34,424,761
TOTAL ASSETS		**2,444,280,925**	**1,766,668,776**
EQUITY AND LIABILITIES			
EQUITY (Page 14)			
Share capital	25	1,102,550,000	1,102,550,000
Retained earnings		235,389,021	42,162,338
TOTAL EQUITY		**1,337,939,021**	**1,144,712,338**
LIABILITIES			
Tax payable	15(b)	87,305,654	25,230,242
Other payables	26	92,481,266	87,788,481
Payables arising from reinsurance arrangements	27	156,698,236	121,145,272
Provision for unearned premium	28	459,691,321	290,981,653
Reinsurance contract liabilities	33	310,165,427	96,810,790
TOTAL LIABILITIES		**1,106,341,904**	**621,956,438**
TOTAL EQUITY AND LIABILITIES		**2,444,280,925**	**1,766,668,776**

The financial statements set out on pages 12 to 55 were approved and authorised for issue by the Board of Directors on 2 March 2022 and were signed on its behalf by:

Charles Edwin Etemesi	Dr. Habil Olaka	Ezekiel Abiola Ekundayo
Principal Officer	*Director*	*Chairman*

The notes set out on pages 16 to 55 form an integral part of these financial statements.

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

2021:	Share capital KShs	Retained earnings KShs	Total KShs
At 1 January 2021	1,102,550,000	42,162,338	1,144,712,338
Comprehensive income for the year			
Profit for the year	-	193,226,683	193,226,683
Balance as at 31 December 2021	**1,102,550,000**	**235,389,021**	**1,337,939,021**
2020:			
At 1 January 2020	1,102,550,000	(52,321,238)	1,050,228,762
Comprehensive income for the year			
Profit for the year	-	94,483,576	94,483,576
Balance as at 31 December 2020	**1,102,550,000**	**42,162,338**	**1,144,712,338**

The notes set out on pages 16 to 55 form an integral part of these financial statements.

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 KShs	2020 KShs
Net cash flows from operating	29(a)	440,758,995	235,786,709
Investing activities			
Acquisition of property and equipment	23	(174,000)	(316,158)
Acquisition of computer software	24	-	(418,943)
Purchase of government securities	17	(134,215,226)	(58,299,594)
Additional investments in fixed deposits	17	(297,965,501)	(154,588,885)
Net cash out flow from investing activities		**(432,354,727)**	**(213,623,579)**
Financing activities			
Payment of principal lease liabilities	32(d)	(3,758,625)	(4,095,000)
Net cash flow from financing activities		**(3,758,625)**	**(4,095,000)**
Net increase in cash and cash equivalents		**4,645,643**	**18,068,130**
Cash and cash equivalents at the beginning of the year		39,097,922	21,029,792
Cash and cash equivalents at the end of the year	29(b)	**43,743,565**	**39,097,922**

The notes set out on pages 16 to 55 form an integral part of these financial statements.

1. REPORTING ENTITY

The Company is incorporated as a limited company in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The entity was incorporated on 3 November 2017 and was licensed to offer reinsurance services in accordance with the regulations on 9 October 2018. The address of the Company's registered office is set out on page 1.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Kenyan Companies Act, 2015.

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

Details of the entity's significant accounting policies are included on Note 3.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis of accounting unless otherwise stated.

(c) Functional and presentation currency

The financial statements are presented in Kenya shillings (KShs), which is the Company's functional currency. Except as otherwise indicated, financial information presentation is in Kenya shillings.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 4 - *Critical accounting estimates and judgements.*

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Reinsurance contracts

A reinsurance contract is a contract under which the Company accepts significant insurance risks from a cedant by agreeing to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) occurs.

(i) Classification

Short-term reinsurance contracts

These contracts are casualty, property and personal accident reinsurance contracts. Casualty reinsurance contracts protect the cedants against ceded risk of claims made by primary policyholders for causing harm to third parties as a result of the legitimate activities of the primary policyholder.

Under property reinsurance contracts, the Company mainly compensates cedants of a portion of claims payable to primary policyholders for damage suffered to their properties or for the value of property lost or the loss of earnings caused by the inability of the primary policyholder to use the insured properties in their business activities (business interruption cover).

Personal accident reinsurance contracts compensate the cedants for a portion of claims made by primary policyholders for bodily injuries suffered by the primary policyholder or his/her family members or employees.

Contracts entered into by the Company with retrocessionnaires under which the Company is compensated for losses which meet the classification requirement for reinsurance contracts are classified as retrocession insurance contracts held. Contracts that do not meet these classifications are classified as financial assets.

(ii) Recognition and measurement

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

Premium income

General reinsurance written premiums and related expenses are accounted for in profit or loss when earned or incurred. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Net earned premium comprise of gross earned premium less the retrocession premiums in the year.

Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period and are estimated using 1/24ths method for facultative businesses and 1/8ths method for treaty businesses.

For single premium business, revenue is recognised on the date on which the policy is effective. Outward retrocession premiums are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Reinsurance contracts (continued)

(ii) Recognition and measurement – continued

Claims incurred

Claims incurred comprise of net claims paid in the period and net changes in the provision for outstanding claims. Net claims paid represent all payment made during the period, whether arising from events during that or earlier years less retrocession recoveries.

Net 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 less retrocession recoveries. Outstanding claims are computed on the basis of the best information available at the time the records for the period are closed and include provisions for claims incurred but not reported ("IBNR").

The approach adopted in estimation of IBNR was a combination of chain-ladder and "Bornhuetter-Fergurson" ("B-F") methods.

The Unallocated Loss Adjustment Expenses (ULAE) estimate is based on the claims department salaries as a proportion of the total salaries multiplied by management expenses excluding underwriting and acquisition costs as a proportion of net earned premium.

Cedant acquisition costs and deferred acquisition costs

For general reinsurance business a proportion of cedant acquisition costs is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of cedant acquisition costs and other acquisition costs that relate to the unexpired term of the policies that are in force at the year end. The deferred acquisition costs are estimated using 1/24ths method for facultative businesses and 1/8ths method for treaty businesses.
Acquisition cost recoveries are recognised as income in the period in which they are earned. Commission income is recognised as income in the period the related retrocessionnaire premium is booked

Retrocession contracts held

The Company uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce its risk of catastrophic loss on reinsurance assumed. The ceding of risk to retrocessionaires does not relieve the Company of its obligation to its cedants. The Company regularly reviews the financial condition of its retrocessionaires. Premiums and losses ceded to retrocessionaires are reported as reductions in gross premium and claims incurred.

Amounts recoverable from or due to retrocessionaires are measured consistently with the amounts associated with the retroceded reinsurance contracts and in accordance with the terms of each retrocession contract. Retrocession liabilities are primarily premiums payable for retrocession contracts and are recognised as an expense when due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Reinsurance contracts (continued)

(ii) Recognition and measurement – continued

Retrocession contracts held – continued

The Company assesses its retrocession assets for impairment on a quarterly basis. If there is objective evidence that the retrocession asset is impaired, the Company reduces the carrying amount of the retrocession asset to its recoverable amount and recognises that impairment loss in the income statement.

The Company gathers the objective evidence that a retrocession asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Receivables and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from cedants, brokers and retrocessionaires. If there is objective evidence that a cession/retrocession receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that a cession/retrocession receivable is impaired using the same process adopted for loans and receivables.

Liability adequacy test

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

(b) Translation of foreign currencies

Transactions in foreign currencies during the period are converted into Kenya shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the reporting date. Resulting exchange differences are recognised in the profit or loss for the period.

Non-monetary assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the date of the transaction.

(c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with the banks net of bank overdrafts and investments government securities and bank deposits with maturities of three months or less from the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Finance income and expenses

Finance income and expenses comprises net foreign currency gains and losses and interest expenses. Interest expenses are recognised on a time proportion basis in profit or loss using the effective interest method. Foreign currency gains and losses are recognised on a net basis.

(e) Other income

Dividends receivable are recognised as income in the period in which the right to receive payment is established. Interest income is recognized on a time proportion basis that considers the effective yield on the asset.

(f) Financial instruments

Financial instruments include balances with banks, Reinsurance and other receivables, balances due to related parties, and Reinsurance and other payables.

(i) Recognition and initial measurement

Reinsurance receivables are initially recognised when they are originated.

(ii) Classification and subsequent measurement

Financial assets

A financial instrument is a contract that gives rise to both a financial asset for one enterprise and a financial liability of another enterprise. On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through the comprehensive income (FVOCI) – debt investment; (FVOCI) – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

Business model assessment – continued

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

Assessment whether contractual cash flows are solely payments of principal and interest – continued

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) De-recognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(iii) De-recognition – continued

Financial assets – continued

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when the Company has an enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

(g) Impairment of assets

(i) Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (continued)

(i) *Non-derivative financial assets – continued*

Financial instruments and contract assets – continued

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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 and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as 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).

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at Fair Value Through Other Comprehensive Income (FVOCI) are credit impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (continued)

(i) Non-derivative financial assets – continued

Measurement of ECLs – continued

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in Other Comprehensive Income (OCI).

Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than insurance and reinsurance contract assets, deferred tax asset and employee benefits assets) to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (continued)

(ii) Non-financial assets – continued

An impairment loss is recognised if the carrying amount of an asset of CGU exceeds its recoverable amount.

Impairment losses are recognised in profit and loss. Impairment losses recognised for a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Income tax

Income tax expense comprises current tax and change in deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

(i) Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income tax (continued)

(i) Current tax – continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(i) Share capital

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

(j) Employee benefits

(i) Pension obligations

The Company operates a defined contribution scheme. The scheme is generally funded through payments to the National Social Security Fund. A defined contribution is a pension plan under which the company pays fixed contribution into the separate entity. The Company has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefit relating to employees' service in the current and prior period.

The Company makes contribution for all staff at the rate prescribed by the pension laws of Kenya.

(ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) Gratuity

Gratuity provisions are made for both permanent and contracted staff. Gratuity on permanent staff is based on the current basic salary multiplied by the number of years the employee has served the company whereas for the contracted staff it is calculated at 15% of annual basic pay.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Provisions

(i) Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise those termination penalties and employee termination payments.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(l) Property and equipment

(i) Recognition and measurement

All property and equipment are initially recorded at cost. Buildings are subsequently carried at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation. All other property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

(ii) Depreciation

Freehold land is not depreciated. Depreciation is calculated on other property and equipment on the straight-line basis to write down the cost of each asset, or the revalued amount to its residual value over its estimated useful life, as follows:

Motor vehicle	4 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 years

(iii) Subsequent costs

The cost of replacing a component of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Property and equipment (continued)

(iv) Disposal of property and equipment

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

(m) Intangible assets

An intangible asset arises from the purchases of accounting software. Acquired intangible assets are measured on initial recognition at cost.

The Company recognises an intangible asset at cost if, and only if, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

The intangible assets are amortised on a straight-line basis over their useful lives (5 years).

Amortisation method, useful lives and residual values are reviewed at each reporting date, and adjusted prospectively, if appropriate.

(n) Leases

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

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases (continued)

(i) As a lessee – continued

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

The Company determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "property and equipment" and lease liabilities are presented in other payables in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has selected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases (continued)

(ii) As a lessor

At inception or on modification of a contract that companies contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements of IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other revenue".

(o) New standards, amendments and interpretations

(i) New Standards and interpretations effective and early adopted during the year

The Company adopted the following new standards and amendments during the year ended 31 December 2021, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2021.

New standard or amendments	Effective for annual periods beginning on or after
COVID-19-Related Rent Concessions (Amendments to IFRS 16)	1 June 2020
Interest rate benchmark reform-phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

The above standards adopted in 2021 did not have a significant impact on the Company's financial statements for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) New standards, amendments and interpretations (continued)

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2021

(a) Those not expected to have any impact on the financial statements of the Company

New standard or amendments	Effective for annual periods beginning on or after
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
Onerous contracts: Cost of Fulfilling a Contract (Amendments to IAS 37).	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Annual improvements to IFRS standards 2018-2020	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28).	Optional

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

(b) Those expected to have a significant impact on the financial statements of the Company

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

- insurance contracts, including reinsurance contracts, it issues;
- reinsurance contracts it holds; and
- investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) New standards, amendments and interpretations (continued)

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2021 – continued

(b) Those expected to have a significant impact on the financial statements of the Company – continued

IFRS 17 Insurance Contracts – continued

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

(a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
(b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

(a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
(b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.
IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable.

A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The adoption of these changes is expected to have a material impact on the amounts and disclosures of the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) New standards, amendments and interpretations (continued)

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2021 – continued

(b) Those expected to have a significant impact on the financial statements of the Company – continued

Classification of Liabilities as Current or Non-current (Amendments IAS 1)

The amendments clarify one of the criteria for classifying a liability as non-current—that is the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 but may be applied earlier. The Company is assessing the potential impact on its financial statements resulting from the application of this amendment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and judgements are summarised below.

(i) Claims reserving and determination of IBNR

The estimation of future contractual cash flows in relation to reported losses and losses incurred but not reported is the company's most critical accounting estimate. Case estimates are computed on the basis of the best information available at the time the records for the year are closed.

Further details on the process used to estimate claims incurred but not reported and amounts recorded as liabilities at the end of the current and previous year are set out in Note 33 of these financial statements.

(ii) Income taxes

The Company is subject to income taxes in Kenya. Significant judgment is required in determining the Company's provision for income taxes.

The Company recognises 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 the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) Impairment losses

At the end of each reporting period, the Company reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. The Company uses an Expected Credit Loss (ECL) model to assess any need for impairment of financial assets. In determining the Expected Credit Loss (ECL), the Company first determines the Historical Loss Rate (HLR) of a financial asset. The HLR is then evaluated and adjusted for expected future events and circumstances to determine the ECL that will be applied at each date.

(iii) Deferred tax

Critical estimates are made by the directors in determining the recoverability of the deferred tax asset. The company is expected to make taxable profit in the future enabling it to utilise the deferred tax asset against the tax charge.

5. FINACIAL AND REINSURANCE RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments:

— credit risk
— liquidity risk
— market risk

This section provides details of the company's exposure to risk and describes the methods used by management to control risk.

The most important types of financial risk to which the company is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the trading activities as well as placement and balances with other counterparties, security deposits, staff expense advances, other receivables, prepayments, and bank balances. The board of directors has the responsibility of managing the company's credit risk. For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposure.

The amount that best represent the company's maximum exposure to the credit risk as at 31 December 2021 and 31 December 2020 are made up as follows:

Classification of credit risk bearing assets:	**2021 KShs**	**2020 KShs**
Cash and bank balances (Note 16)	23,695,848	39,049,462
Due from related party (Note 18)	4,177,827	34,030,266
Sundry receivables	11,370,919	1,957,938
Deposits with financial institutions, net of IFRS 9 Impairment provisions (Note 17)	1,293,418,697	975,450,994
Investment in Government securities, net of IFRS 9 Impairment provisions (Note 17)	383,213,346	248,998,120
Reinsurance premium receivable (Note 19)	374,285,833	220,059,130
	2,090,162,470	**1,519,545,910**

5. FINACIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

The company only places significant amounts of funds with recognised financial institutions with strong credit ratings and does not consider the credit risk exposure arising from cash and cash equivalents and treasury bills to be significant.

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations from its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines. The table below shows the contractual maturity of financial liabilities at the reporting date:

2021:	Due on demand KShs	Up to 1 month KShs	1-3 months KShs	3-12 Months KShs	1-5 Years KShs	Total KShs
Liabilities						
Other creditors	-	-	4,803,435	50,534,993	12,196,404	67,534,832
Lease liabilities	-	229,704	674,446	1,695,485	40,518,652	43,118,287
Reinsurance contract liabilities	-	8,444,503	84,875,560	141,637,667	75,207,697	310,165,427
Reinsurance payables	-	1,096,437	19,570,967	47,911,019	88,119,813	156,698,236
Total financial liabilities	**-**	**9,770,644**	**109,924,408**	**241,779,164**	**216,042,566**	**577,516,782**
2020:						
Liabilities						
Other creditors	-	-	35,311,994	27,094,858	-	62,406,852
Due to related parties	-	-	-	19,262,419	-	19,262,419
Lease liabilities	-	254,268	500,090	2,122,977	43,900,120	46,777,455
Reinsurance contract liabilities	-	-	-	84,236,536	12,574,254	96,810,790
Reinsurance payables	-	-	-	121,145,272	-	121,145,272
Total financial liabilities	**-**	**254,268**	**35,812,084**	**253,862,062**	**56,474,374**	**346,402,788**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk on cash balances, fixed deposits, related party balances, underwriting income and expenses and management expenses that are denominated in a currency other than the respective functional currency. The currencies in which these transactions primarily are denominated are KShs.

The following exchange rates were applied during the period:

	Average rate		Closing rates	
	2021 KShs	2020 KShs	2021 KShs	2020 KShs
USD Dollar	109.57	106.03	113.15	109.17

The Company's exposure to foreign currency risk was as follows: based on notional amounts

All figures are in Kenya shillings (KShs)

	2021 USD	2020 USD
Assets		
Cash and cash equivalents	14,743,987	18,464,380
Fixed deposits	1,126,940,668	943,034,161
Related party receivable	-	34,030,266
	1,141,684,655	**995,528,807**
Liabilities		
Amounts due to related party	-	(19,262,419)
Reinsurance payables	(156,698,236)	(121,145,272)
Net position	**984,986,419**	**855,121,116**

Sensitivity analysis on exchange rates

A 10 percent strengthening of the shilling against the following currencies at 31 December 2021 and 31 December 2020 would have decreased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant.

Effect in Kenya shillings	**Profit or loss/equity before tax**	
	2021 KShs	**2020 KShs**
USD	**(98,498,642)**	**(85,512,112)**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Currency risk – continued

On the same basis, a 10 percent weakening of the shilling against the above currencies at 31 December 2020 and 31 December 2021 would have had equal but opposite effect on the currencies to the amounts shown above.

Interest risk

The company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table are the company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest rate sensitivity analysis:

2021:	**Due within 3 months KShs**	**Due after 3 months but within 12 months KShs**	**Due between 1 and 5 years KShs**	**Over 5 years KShs**	**Non-interest bearing KShs**	**Total KShs**
Government securities	14,922,649	369,437,011	-	-	-	384,359,660
Deposits with financial institutions	226,405,800	1,082,062,853	-	-	-	1,308,468,653
Impairment of investment	-	(16,196,270)		-	-	(16,196,270)
Total assets	**241,328,449**	**1,435,303,594**	-	-	-	**1,676,632,043**

2020:	**Due within 3 months KShs**	**Due after 3 months but within 12 months KShs**	**Due between 1 and 5 years KShs**	**Over 5 years KShs**	**Non-interest bearing KShs**	**Total KShs**
Government securities	14,935,900	236,521,331	-	-	-	251,457,231
Fixed deposits	120,806,241	864,278,320	-	-	-	985,084,561
Impairment of investment		(12,092,678)	-	-	-	(12,092,678)
Total assets	**135,742,141**	**1,088,706,973**	-	-	-	**1,224,449,114**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(d) Fair value

The fair values of financial assets and financial liabilities approximate to the carrying amounts as shown in the statement of financial position.

2021:	Other liabilities KShs	Loans and receivables KShs	Total carrying value KShs	Fair value KShs
Financial assets				
Reinsurance receivable	-	374,285,833	374,285,833	374,285,833
Due from related party	-	4,177,827	4,177,827	4,177,827
Other receivables	-	11,370,919	11,370,919	11,370,919
Investments	-	1,676,632,043	1,676,632,043	1,676,632,043
Cash and bank balances	-	23,741,363	23,741,363	23,741,363
	-	**2,090,207,985**	**2,090,207,985**	**2,090,207,985**
Financial liabilities				
Payables arising from reinsurance arrangement	156,698,236	-	156,698,236	156,698,236
Other liabilities	67,534,832	-	67,534,832	67,534,832
Provision for unearned premiums	459,691,321	-	459,691,321	459,691,321
Reinsurance contract liabilities	310,165,427	-	310,165,427	310,165,427
	994,089,816	**-**	**994,089,816**	**994,089,816**

2020:	KShs	KShs	KShs	KShs
Financial assets				
Reinsurance receivable	-	220,059,130	220,059,130	220,059,130
Due from related party	-	34,030,266	34,030,266	34,030,266
Other receivables	-	1,957,938	1,957,938	1,957,938
Investments	-	1,224,449,114	1,224,449,114	1,224,449,114
Cash and bank balances	-	39,097,922	39,097,922	39,097,922
	-	**1,519,594,370**	**1,519,594,370**	**1,519,594,370**
Financial liabilities				
Payables arising from reinsurance arrangement	121,145,272	-	121,145,272	121,145,272
Other liabilities	74,748,154	-	74,748,154	74,748,154
Provision for unearned premiums	290,981,653	-	290,981,653	290,981,653
Reinsurance contract liabilities	96,810,790	-	96,810,790	96,810,790
	583,685,869	**-**	**583,685,869**	**583,685,869**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(e) Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' 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 a going concern, so that it can continue to provide returns to shareholders.
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Kenyan Insurance Act requires each reinsurance company to hold a minimum level of paid up capital determined as the higher of the following for general business:

- One billion shillings; or
- Risk based capital determined by the Authority from time to time; or
- 20% of the net earned premium or the preceding financial year

During the year the Company held the minimum paid up capital required.

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company.

This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including reinsurance whether this is effective.

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(g) Reinsurance risk

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

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

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

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

The tables below provide disclosure of the concentration of reinsurance exposure by the main classes of business in which the Company operates.

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(g) Reinsurance risk (continued)

Concentration of reinsurance exposure by the main classes of business in which the Company operates (gross and net of retrocession):

Year ended 31 December 2021		**Total exposure**				
Class of business		**0-20 million KSh'000**	**20- 250 million KSh'000**	**250 -1000 million KSh'000**	**Over 1,000 million KSh'000**	**Totals KSh'000**
Aviation	Gross	6,263	872,029	-	-	**878,292**
	Net	6,263	872,029	-	-	**878,292**
Engineering	Gross	319,612	7,284,608	32,088,447	46,399,128	**86,091,795**
	Net	319,612	7,242,191	30,576,979	35,958,541	**74,097,323**
Fire domestic	Gross	3,537	198,021	-	-	**201,558**
	Net	3,537	198,021	-	-	**201,558**
Fire industrial	Gross	543,873	15,874,930	87,435,422	261,961,221	**365,815,446**
	Net	517,478	15,443,590	79,633,182	230,363,407	**325,957,657**
Liability	Gross	1,088,021	11,653,714	11,529,913	5,031,887	**29,303,535**
	Net	1,088,021	11,653,714	11,255,813	4,429,142	**28,426,690**
Marine	Gross	138,549	7,054,151	9,267,936	-	**16,460,636**
	Net	138,549	7,037,478	9,267,936	-	**16,443,963**
Motor private	Gross	20,518	265,413	-	-	**285,931**
	Net	20,518	265,413	-	-	**285,931**
Motor commercial	Gross	125,775	373,227	-	-	**499,002**
	Net	125,775	240,996	-	-	**366,771**
Personal accident	Gross	42,935	978,785	250,624	-	**1,272,344**
	Net	42,935	978,785	250,624	-	**1,272,344**
Theft	Gross	45,112	189,663	-	-	**234,775**
	Net	39,783	189,663	-	-	**229,446**
Workmen's' compensation	Gross	34,978	1,248,815	570,374	-	**1,854,167**
	Net	26,482	1,228,588	570,374	-	**1,825,444**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(g) Reinsurance risk (continued)

Year ended 31 December 2021		Total exposure				
Class of business		**0-20 million KSh'000**	**20- 250 million KSh'000**	**250 -1000 million KSh'000**	**Over 1,000 million KSh'000**	**Totals KSh'000**
Medical	Gross	969	-	-	-	**969**
	Net	969	-	-	-	**969**
Miscellaneous	Gross	396,659	3,117,478	2,487,960	2,741,000	**8,743,097**
	Net	396,659	3,111,850	2,049,401	1,315,680	**6,873,590**
Total	Gross	**2,766,801**	**49,110,834**	**143,630,676**	**316,133,236**	**511,641,547**
Total	Net	**2,726,581**	**48,462,318**	**133,604,309**	**272,066,770**	**456,859,978**

6. OPERATING SEGMENTS

(a) Basis of segmentation

The Company has the following strategic divisions, which are reportable segments. These divisions offer different products and are managed separately based on the Company's management and internal reporting structure;

Reportable segment

- Aviation
- Engineering
- Fire domestic
- Fire industrial
- Liability
- Marine
- Motor private
- Motor commercial
- Personal accident
- Theft
- Workmens' compensation
- Medical
- Miscellaneous

The Company's Management Committee reviews internal management reports from each division at least monthly.

(b) Information about reportable segments

Information relating to each reportable segment is set out in Appendix 1 on page 55. Segment profit before tax, as included in management reports reviewed by the Company's management, is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

7. GROSS PREMIUM EARNED

	2021 KShs	2020 KShs
Gross premium written	1,484,374,127	721,245,166
Less: Unearned premium reserve (Note 28)	(156,462,101)	(128,657,428)
Gross premium earned	**1,327,912,026**	**592,587,738**

8. INVESTMENT INCOME

	2021 KShs	2020 KShs
Deposits with financial institutions	40,120,021	30,043,583
Government securities	22,433,589	17,702,294
Other income	68,154	-
	62,621,764	47,745,877

9. COMMISSIONS INCOME

	2021 KShs	2020 KShs
Commission income	71,246,677	67,013,767

10. CLAIMS

Class of insurance	Gross claims paid KShs	Change in net outstanding claims KShs	Reinsurance recoveries on paid claims KShs	31.12.2021 Net claims incurred KShs	31.12.2020 Net claims incurred KShs
Aviation	-	3,347,568	-	3,347,568	450,775
Engineering	22,223,353	76,717,643	-	98,940,996	8,962,407
Fire domestic	-	51,276	-	51,276	84,815
Fire industrial	58,134,958	89,069,074	(7,618,071)	139,585,961	17,894,922
Liability	-	10,997,376	-	10,997,376	6,819,015
Marine	24,418,007	(15,593,102)	-	8,824,905	6,948,763
Motor private	-	3,424,795	-	3,424,795	814,052
Motor commercial	2,889,474	79,999	-	2,969,473	4,350,494
Personal accident	28,933,235	21,009,946	-	49,943,181	(502,054)
Theft	6,105	37,244	-	43,349	(1,112,841)
Workmens' compensation	-	7,699,516	-	7,699,516	1,606,721
Medical	6,137,788	448,249	-	6,586,037	1,392,481
Miscellaneous	864,617	4,694,771	-	5,559,388	2,560,104
Total	**143,607,537**	**201,984,355**	**(7,618,071)**	**337,973,821**	**50,269,654**

11. MANAGEMENT EXPENSES

(a) Personnel expenses

	2021 KShs	2020 KShs
Salaries and wages	94,840,980	81,066,785
Other employee benefits	3,436,883	2,459,874
Other staff costs	754,289	980,930
	99,032,152	**84,507,589**

	2021	2020
Number of staff	8	8

Other employee benefits comprise of provisions made for the period for staff gratuity for staff on contract basis at 15% of annual basic pay and staff travelling allowances. During the period, there were no outstanding leave days.

(b) Other expenses

	2021 KShs	2020 KShs
Auditors' fees	3,000,000	2,902,500
Advertising	402,316	213,918
Depreciation on fixed assets (Note 23)	10,554,067	10,732,800
Amortisation of Intangible assets (Note 24)	510,045	426,256
Depreciation on right of use (Note 23)	2,353,620	2,353,620
Legal and professional fees	8,338,428	7,928,675
Motor running expenses	478,236	466,735
Directors' remuneration	15,309,113	13,356,858

11. MANAGEMENT EXPENSES (Continued)

(b) Other expenses (continued)

	2021 KShs	2020 KShs
Board expenses	4,960,638	2,955,699
Travelling and marketing	10,304,380	4,390,590
Communication	4,000,330	4,237,244
Insurance	1,988,953	1,511,728
Short term lease payments	2,311,135	2,252,300
Printing and stationery	45,002	32,325
Meetings, conferences, and trainings	4,205,620	737,471
Repairs and maintenance	547,366	150,467
Other operating costs	22,149,047	21,477,027
	91,458,306	76,126,213

(c) Impairment of assets

	2021 KShs	2020 KShs
Impairment of reinsurance receivables	87,801,741	48,739,507
Impairment of investments	4,103,594	1,739,806
	91,905,335	50,479,313

12. BUSINESS ACQUISITION COST

	2021 KShs	2020 KShs
Gross business acquisition cost	423,207,550	215,263,980
Deferred acquisition cost (Note 21)	(57,352,649)	(35,121,281)
	365,854,901	180,142,699

13. NET FINANCE INCOME

	2021 KShs	2020 KShs
Forex exchange gain	33,946,920	57,274,371
Interest expense on lease liability (Note 32(b))	(3,323,430)	(3,348,930)
	30,623,490	53,925,441

14. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following:

	2021 KShs	2020 KShs
Depreciation (Note 23)	12,907,687	13,086,420
Amortisation of intangible assets (Note 24)	510,045	426,256
Directors' remuneration (Note 31(a))	15,309,113	13,356,858
Auditor's remuneration (Note 11(b))	3,000,000	2,902,500

15. TAXATION

(a) Income tax charge

	2021 KShs	2020 KShs
Current income tax		
Current tax charge	120,679,473	30,164,408
Deferred income tax (Note 22)		
Prior year deferred tax adjustment	(2,701,996)	-
Current year movement	(36,569,771)	8,985,256
Total current tax charge	81,407,706	39,149,664

15. TAXATION (Continued)

(a) Income tax charge (continued)

The tax on the company's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2021 KShs	2020 KShs
Accounting profit before taxation	274,634,389	133,633,239
Tax at the applicable rate of 30% (2020 – 25%)	82,390,317	33,408,310
Tax effect of expenses not deductible for tax purposes	1,719,385	1,992,149
Prior year deferred tax adjustment	(2,701,996)	-
Tax effect of differential in tax rate	-	3,749,205
	81,407,706	39,149,664

(b) Current tax (recoverable)/payable

	2021	2020
Balance brought forward	25,230,242	(4,572,627)
Current period charge	120,679,473	30,164,408
Tax paid	(58,604,061)	(361,539)
Tax payable	87,305,654	25,230,242

16. CASH AND BANK BALANCES

	2021	2020
Cash in the bank	23,695,848	39,049,462
Cash at hand	45,515	48,460
	23,741,363	39,097,922

17. INVESTMENTS

	2021	2020
Balance 1 January	1,224,449,114	1,011,560,635
Purchase of government securities	134,215,226	58,299,594
Additional deposits with financial institutions:		
-Classified as cash and cash equivalent in the statement of cash flows	20,002,202	-
-Classified as investment in statement of cash flows	297,965,501	154,588,885
Balance 31 December	**1,676,632,043**	**1,224,449,114**
Maturity analysis:		
Due within 3 months of placement	20,002,202	-
Due after 3 months but within 12 months of placement	1,656,629,841	1,224,449,114
	1,676,632,043	**1,224,449,114**

The treasury bills (Government securities) are invested with the Central Bank of Kenya. The term deposits are held to maturity with other commercial banks incorporated in Kenya and governed by the Central Bank of Kenya. The investments are measured at amortised cost.

18. OTHER RECEIVABLES

	2021 KShs	2020 KShs
Due from related party (Note 31(b))	4,177,827	34,030,266
Sundry receivables	11,370,919	1,957,938
	15,548,746	35,988,204

19. NET REINSURANCE PREMIUM RECEIVABLES

	2021	2020
Due from cedants and brokers	781,946,476	429,097,228
Commission payable	(250,298,220)	(136,337,275)
Write offs	3,140,141	-
Impairment provision	(160,502,564)	(72,700,823)
	374,285,833	220,059,130

Ageing of net reinsurance premium receivables

	2021	2020
0 – 90 days	79,893,562	130,816,420
91– 180 days	170,212,377	51,158,646
181– 270 days	26,976,623	10,172,375
271 – 365 days	56,022,458	26,225,402
Over 365 days	41,180,813	1,686,287
	374,285,833	220,059,130

20. RETROCESSIONAIRES SHARE OF TECHNICAL LIABILITIES

	2021 KShs	2020 KShs
Balance as at 1 January	106,307,757	55,237,006
Additional retrocession provision	23,617,850	51,070,751
Balance as at 31 December	**129,925,607**	**106,307,757**

21. DEFERRED ACQUISITION COST

	2021	2020
Balance as at 1 January	90,673,985	55,552,704
Deferred during the year	57,352,649	35,121,281
Balance as at 31 December	**148,026,634**	**90,673,985**

22. DEFERRED TAX ASSET

Deferred tax is calculated, in full, on all temporary differences using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

2021	Balance at 1 January 2021 KShs	Prior year adjustment Kshs	(Credited)/ charged to profit or loss KShs	Balance at 31 December 2021 KShs
Property and equipment	(2,052,323)	-	(2,054,983)	(4,107,306)
Provisions	(25,776,249)	(2,701,996)	(30,380,270)	(58,858,515)
Unrealised exchange gain/(loss)	14,318,594	-	(4,134,518)	10,184,076
	(13,509,978)	**(2,701,996)**	**(36,569,771)**	**(52,781,745)**

2020	Balance at 1 January 2020 KShs	Prior year adjustment Kshs	(Credited)/ charged to profit or loss KShs	Balance at 31 December 2020 KShs
Property and equipment	(1,363,188)	-	(689,135)	(2,052,323)
Provisions	(15,289,809)	-	(10,486,440)	(25,776,249)
Unrealised exchange gain/(loss)	(5,842,237)	-	20,160,831	14,318,594
	(22,495,234)	-	**8,985,256**	**(13,509,978)**

Deferred tax assets have been recognised because it is probable that future taxable profit will be available against which the Company can use the benefits therefrom.

23. PROPERTY AND EQUIPMENT

2021:	Right of use lease asset KShs	Motor vehicle KShs	Computer equipment KShs	Furniture and equipment KShs	Total KShs
Cost					
At 1 January 2021	25,902,699	17,301,375	2,451,200	22,239,593	67,894,867
Additions	-	-	174,000	-	174,000
At 31 December 2021	25,902,699	17,301,375	2,625,200	22,239,593	68,068,867
Depreciation					
At 1 January 2021	4,707,239	11,207,930	1,746,796	15,808,141	33,470,106
Charge for the year	2,353,620	4,325,344	621,470	5,607,253	12,907,687
At 31 December 2021	7,060,859	15,533,274	2,368,266	21,415,394	46,377,793
Net book amount					
At 31 December 2021	**18,841,840**	**1,768,101**	**256,934**	**824,199**	**21,691,074**

23. PROPERTY AND EQUIPMENT (Continued)

2020:	Right of use lease asset KShs	Motor vehicle KShs	Computer equipment KShs	Furniture and equipment KShs	Total KShs
Cost					
At 1 January 2020	25,902,699	17,301,375	2,135,042	22,239,593	67,578,709
Additions	-	-	316,158	-	316,158
At 31 December 2020	25,902,699	17,301,375	2,451,200	22,239,593	67,894,867
Depreciation					
At 1 January 2020	2,353,619	6,882,586	946,594	10,200,887	20,383,686
Charge for the year	2,353,620	4,325,344	800,202	5,607,254	13,086,420
At 31 December 2020	4,707,239	11,207,930	1,746,796	15,808,141	33,470,106
Net book amount					
At 31 December 2020	**21,195,460**	**6,093,445**	**704,404**	**6,431,452**	**34,424,761**

24. INTANGIBLE ASSETS

	2021 KShs	2020 KShs
Cost		
At 1 January	2,655,225	2,236,282
Additions	-	418,943
At 31 December	2,625,225	2,655,225
Depreciation		
At 1 January	497,300	71,044
Charge for the year	510,045	426,256
At 31 December	1,007,345	497,300
Net book value at 31 December	**1,647,880**	**2,157,925**

25. SHARE CAPITAL

	2021	2020
Authorised, issued and fully paid:		
1,102,550 Ordinary shares of KShs 1,000 each		
Balance at 1 January 31 December	1,102,550,000	1,102,550,000

The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at general meetings of the company. All shares rank equally with regards to residual assets.

As at 31 December 2021, the company has complied with the Insurance Act on the minimum capital required for an insurance company carrying out reinsurance business in Kenya.

26. OTHER PAYABLES

	2021 KShs	2020 KShs
Other creditors*	55,338,430	30,104,105
Due to related party (Note 31(b))	-	19,262,419
Lease liabilities	24,946,434	25,381,629
Other liabilities	12,196,402	13,040,328
	92,481,266	**87,788,481**

*Includes all payroll and other accrued expenses.

The estimated fair values of accounts due to other trading parties and trade payables are the amounts repayable on demand except for lease liabilities which are both current and non-current liabilities.

27. NET REINSURANCE PAYABLES

	2021 KShs	2020 KShs
Due to Retrocessionaires	253,978,029	196,870,037
Retro Commission receivable	(97,279,793)	(75,724,765)
	156,698,236	**121,145,272**

28. PROVISION FOR UNEARNED PREMIUM

	2021	2020
Gross unearned premium 1 January	290,981,653	156,260,839
Gross unearned premium 31 December	(459,691,321)	(290,981,653)
Gross unearned premium movement (A)	**(168,709,668)**	**(134,720,814)**
Deferred gross retrocessions at 1 January	61,300,392	55,237,006
Deferred gross retrocessions at 31 December	(73,547,959)	(61,300,392)
Deferred gross retrocessions movement (B)	**(12,247,567)**	**6,063,386**
Net unearned premium movement (A-B)	**(156,462,101)**	**(128,657,428)**

The gross unearned premium provision represents the liability for reinsurance business contracts where the Company's obligations are not expired at the period end.

29. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash flows from operating activities

	2021 KShs	2020 KShs
Profit before taxation	274,634,389	133,633,239
Adjusted for:		
Depreciation (Note 23 & 24)	13,417,732	13,512,676
Reinsurance receivables (Note 19)	(154,226,703)	(112,928,742)
Retrocessionaires share of technical provision (Note 20)	(23,617,850)	(51,070,751)
Deferred acquisition cost (Note 21)	(57,352,649)	(35,121,281)
Other receivables (Note 18)	20,439,458	(20,977,853)

29. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(a) Reconciliation of operating profit to net cash flows from operating activities (continued)

	2021 KShs	2020 KShs
Reinsurance payables (Note 27)	35,552,964	64,813,323
Other payables, Net of lease liabilities (Note 26)	5,127,980	21,981,357
Provision for unearned premium (Note 28)	168,709,668	134,720,813
Interest on lease liability (Note 13)	3,323,430	3,348,930
Reinsurance contract liabilities (Note 33)	213,354,637	84,236,537
Net cash flows from operating activities before tax	**499,363,056**	**236,148,248**
Income tax paid (Note 15(b))	(58,604,061)	(361,539)
Net cash flows from operating activities	**440,758,995**	**235,786,709**

(b) Analyses of cash and cash equivalents

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

	2021 KShs	2020 KShs
Cash and bank balances (Note 16)	23,741,363	39,097,922
Deposits with financial institutions maturing within 3 months (Note 17)	20,002,202	-
	43,743,565	**39,097,922**

30. CONTINGENT LIABILITIES

The Company has no legal matters either for or against pending in any courts.

Government securities of KShs 180 million (2020 – KShs 110 million) are held under lien with the Central Bank of Kenya as security deposit in favor of the Commissioner of Insurance as required under the provisions of Section 32 of the Insurance Act (Cap 487).

31. RELATED PARTY TRANSACTIONS

(a) Directors' and key management remuneration	2021 KShs	2020 KShs
Directors' fees	9,317,362	7,239,532
Directors' sitting allowance	5,991,751	6,117,326
	15,309,113	**13,356,858**
Key management remuneration	**46,071,667**	**39,618,623**

(b) Balances due from and to parent company

Due from related party	**4,177,827**	**34,030,266**
Due to related party	-	**19,262,419**

The Company's majority owner and holding company is WAICA Reinsurance Corporation PLC, a company incorporated in Sierra Leone.

31. RELATED PARTY TRANSACTIONS (Continued)

(c) Reinsurance transactions

The following reinsurance transactions were carried out with WAICA Reinsurance Corporation PLC:

	2021 KShs	2020 KShs
(i) Gross premium ceded out		
Gross premium ceded out	159,823,698	161,437,820
(ii) Commission earned		
Commission earned by WAICA Reinsurance (Kenya) limited	56,863,151	48,431,346
(iii) Outstanding commission balance		
Balance receivable by WAICA Reinsurance (Kenya) limited	43,010,813	50,109,030
(iv) Outstanding premium balance		
Balance receivable from WAICA Reinsurance (Kenya) limited	120,816,890	99,880,310

Transactions are in the ordinary course of business. The amounts due from related parties are non-interest bearing.

32. LEASES

The Company leases its office premises. The lease runs for an initial period of six years and three months with an option to renew the lease at the expiry of the lease.

Information about leases for which the Company is a lessee is presented below.

(a) Right-of-use assets

Right-of-use assets relate to its leased office premises that are presented within property and equipment under Note 23.

	2021 KShs	2020 KShs
At 1 January	21,195,460	23,549,080
Depreciation charge for the year	(2,353,620)	(2,353,620)
At 31 December	**18,841,840**	**21,195,460**

As at 31 December 2021, the future minimum lease payments under non-cancellable operating leases were payable as follows;

Maturity analysis – Contractual undiscounted cash flows	**2021 KShs**	**2020 KShs**
Tenancy		
Less than one year	4,106,700	3,659,175
Later than one year and not later than five years	25,577,362	18,201,818
Later than five years	13,434,225	24,916,462
Total undiscounted lease liability at 31 December	**43,118,287**	**46,777,455**

32. LEASES (Continued)

(b) Lease liabilities

The movement in lease liabilities during the year 2021 is as follows:

	2021 KShs	2020 KShs
At January	25,381,629	26,127,699
Lease interest charge	3,323,430	3,348,930
Lease rental payments	(3,758,625)	(4,095,000)
Balance at 31 December	**24,946,434**	**25,381,629**

(c) Amount recognised in profit or loss

	2021 KShs	2020 KShs
Finance cost on lease liabilities (Note 13)	3,323,430	3,348,930
Expensed relating to short term lease (Note 11(b))	2,311,135	2,252,300
Balance at 31 December	**5,634,565**	**5,601,230**

(d) Amounts recognised in statement of cash flows

	2021 KShs	2020 KShs
Payment of principal lease liabilities (Note 32(b))	3,758,625	4,095,000
Payment of lease interest	3,323,430	3,348,930
Total lease payments	**7,082,055**	**7,443,930**

33. REINSURANCE CONTRACT LIABILITIES

	2021 KShs	2020 KShs
Opening balance	(96,810,790)	(12,574,254)
Additional Incurred But Not Reported (IBNR) provision	(82,609,472)	(44,826,791)
Additional claims outstanding provision	(128,918,285)	(37,979,044)
Unallocated Loss Adjustment Expense (ULAE)	(1,826,880)	(1,430,701)
Insurance contract liabilities at 31 December	**(310,165,427)**	**(96,810,790)**

The claims development tables per accident year are shown below:

Underwriting year	**2018 KShs**	**2019 KShs**	**2020 KShs**	**2021 KShs**	**Total KShs**
Estimated ultimate claims cost					
At the end of accident year	-	(944,147)	14,425,383	62,707,023	**76,188,259**
One year later	21,614,872	14,548,633	78,453,956	-	**114,617,461**
Two years later	21,614,872	23,473,016	-	-	**45,087,888**
Three years later	33,673,030	-	-	-	**33,673,030**
Cumulative payments to date	**33,673,030**	**23,473,016**	**78,453,956**	**62,707,023**	**198,307,025**

33. REINSURANCE CONTRACT LIABILITIES (Continued)

Underwriting year	2018 KShs	2019 KShs	2020 KShs	2021 KShs	Total KShs
Gross outstanding claims notified provision	21,879	35,171,661	96,938,564	47,339,478	**179,471,582**
Liability incurred but not reported claims and unallocated loss adjustment expense	-	200,306	8,069,393	122,424,146	**130,693,845**
Total gross claims liabilities included in statement of financial position	**21,879**	**35,371,967**	**105,007,957**	**169,763,624**	**310,165,427**

34. SUBSEQUENT EVENTS

Events subsequent to the financial position date are disclosed only to the extent that they relate directly to the financial statements and their effect is material. There were no such events post year end to the date the financial statements were signed.

WAICA REINSURANCE (KENYA) LIMITED

APPENDIX 1- REVENUE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Class of insurance	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor private	Motor commercial	Accident & others	Theft	WIBA	Medical	Miscellaneous	2021 Total
Gross premium written	43,546,719	215,171,951	200,103	728,808,519	121,834,977	14,953,189	13,054,424	48,565,345	111,946,403	7,166,250	83,085,948	6,127,519	89,912,780	1,484,374,127
Change in gross UPR	(19,684,096)	(7,335,032)	357,968	(108,390,025)	988,474	7,687,637	(1,391,509)	(3,759,087)	(22,628,580)	598,252	(11,922,805)	(792,659)	9,809,361	(156,462,101)
Gross earned premium	23,862,623	207,836,919	558,071	620,418,494	122,823,451	22,640,826	11,662,915	44,806,258	89,317,823	7,764,502	71,163,143	5,334,860	99,722,141	1,327,912,026
Less: Reinsurance premium	(3,488,758)	(56,929,498)	-	(154,046,448)	(10,134,752)	(3,450,552)	-	(9,743)	-	-	(301,404)	-	(3,183,898)	(231,545,053)
Net earned premiums	**20,373,865**	**150,907,421**	**558,071**	**466,372,046**	**112,688,699**	**19,190,274**	**11,662,915**	**44,796,515**	**89,317,823**	**7,764,502**	**70,861,739**	**5,334,860**	**96,538,243**	**1,096,366,973**
Gross Claims paid	-	(22,223,353)	-	(58,134,958)	-	(24,418,007)	-	(2,889,474)	(28,933,235)	(6,105)	-	(6,137,788)	(864,617)	(143,607,537)
Change in net o/s claims	(3,347,568)	(76,717,643)	(51,276)	(89,069,074)	(10,997,376)	15,593,102	(3,424,795)	(79,999)	(21,009,946)	(37,244)	(7,699,516)	(448,249)	(4,694,771)	(201,984,355)
Claims recoveries in paid claims	-	-	-	7,618,071	-	-	-	-	-	-	-	-	-	7,618,071
Net claims incurred	**(3,347,568)**	**(98,940,996)**	**(51,276)**	**(139,585,961)**	**(10,997,376)**	**(8,824,905)**	**(3,424,795)**	**(2,969,473)**	**(49,943,181)**	**(43,349)**	**(7,699,516)**	**(6,586,037)**	**(5,559,388)**	**(337,973,821)**
Commissions income	153,637	10,514,764	-	49,770,947	1,059,592	143,808	-	1,039,286	17,506	65,570	7,717,095	-	764,472	71,246,677
Commission expense	(6,163,323)	(56,813,160)	(63,503)	(179,877,147)	(28,918,780)	(19,926,772)	(1,587,817)	(2,984,936)	(28,099,387)	(2,010,686)	(18,850,995)	(3,554,338)	(17,004,057)	(365,854,901)
Net Commission	**(6,009,686)**	**(46,298,396)**	**(63,503)**	**(130,106,200)**	**(27,859,188)**	**(19,782,964)**	**(1,587,817)**	**(1,945,650)**	**(28,081,881)**	**(1,945,116)**	**(11,133,900)**	**(3,554,338)**	**(16,239,585)**	**(294,608,224)**
Management expenses	(5,327,596)	(36,550,381)	(417,531)	(128,907,743)	(53,604,439)	(5,019,563)	(3,546,994)	(10,640,983)	(8,075,629)	(2,036,437)	(4,410,046)	(3,417,118)	(20,441,333)	(282,395,793)
Underwriting profit/(loss)	**5,689,015**	**(30,882,352)**	**25,761**	**67,772,142**	**20,227,696**	**(14,437,158)**	**3,103,309**	**29,240,409**	**3,217,132**	**3,739,600**	**47,618,277**	**(8,222,633)**	**54,297,937**	**181,389,135**

WAICA REINSURANCE (KENYA) LIMITED

APPENDIX 1- REVENUE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Class of insurance	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor private	Motor commercial	Accident & others	Theft	WIBA	Medical	Miscellaneous	2020 Total
Gross premium written	6,265,274	105,938,783	1,656,313	329,562,536	92,808,711	72,869,506	6,127,645	4,452,848	24,035,975	5,056,297	10,529,821	6,081,837	55,859,620	721,245,166
Change in gross UPR	(29,498)	(11,833,154)	(461,326)	(67,094,186)	(16,413,486)	(7,604,477)	(1,517,105)	1,890,650	(4,237,005)	(2,890,335)	(6,999,811)	(753,808)	(10,713,887)	(128,657,428)
Gross earned premium	6,235,776	94,105,629	1,194,987	262,468,350	76,395,225	65,265,029	4,610,540	6,343,498	19,798,970	2,165,962	3,530,010	5,328,029	45,145,733	592,587,738
Less: Reinsurance premium	(6,027,870)	(29,234,556)	-	(113,195,897)	(11,936,934)	(13,764,060)	-	(3,251,214)	(595,062)	(754,069)	-	-	(7,354,454)	(186,114,116)
Net earned premiums	**207,906**	**64,871,073**	**1,194,987**	**149,272,453**	**64,458,291**	**51,500,969**	**4,610,540**	**3,092,284**	**19,203,908**	**1,411,893**	**3,530,010**	**5,328,029**	**37,791,279**	**406,473,622**
Gross Claims paid	(8,784)	(6,312,797)	-	(11,926,539)	(3,357,041)	(2,099,477)	(311,478)	(1,482,254)	(1,587,384)	-	(706,531)	(377,542)	(148,521)	(28,318,348)
Change in gross o/s claims	(441,991)	(2,660,485)	(84,815)	(11,253,753)	(7,400,240)	(6,650,305)	(683,463)	(2,868,240)	2,089,438	1,112,841	(900,190)	(1,014,939)	(2,411,583)	(33,167,725)
Claims recoveries	-	10,875	-	5,285,370	3,938,266	1,801,020	180,889	-	-	-	-	-	-	11,216,419
Net claims incurred	**(450,775)**	**(8,962,407)**	**(84,815)**	**(17,894,922)**	**(6,819,015)**	**(6,948,762)**	**(814,052)**	**(4,350,494)**	**502,054**	**1,112,841**	**(1,606,721)**	**(1,392,481)**	**(2,560,104)**	**(50,269,654)**
Commissions income	2,273,422	9,343,850	-	42,300,644	2,671,986	4,680,647	-	1,172,286	-	-	-	-	4,570,932	67,013,767
Commission expense	(784,163)	(21,216,193)	(243,657)	(97,189,799)	(13,879,116)	(20,790,841)	(2,451,058)	(1,781,139)	(3,865,050)	(5,292,814)	(2,235,781)	(1,505,168)	(8,907,921)	(180,142,699)
Net Commission	**1,489,259**	**(11,872,343)**	**(243,657)**	**(54,889,155)**	**(11,207,130)**	**(16,110,194)**	**(2,451,058)**	**(608,853)**	**(3,865,050)**	**(5,292,814)**	**(2,235,781)**	**(1,505,168)**	**(4,336,989)**	**(113,128,932)**
Management expenses	(114,140)	(33,689,361)	(620,590)	(77,541,357)	(33,474,994)	(26,745,893)	(2,394,382)	(1,605,910)	(9,973,126)	(733,236)	(1,833,233)	(2,766,994)	(19,619,900)	(211,113,115)
Underwriting profit/(loss)	**1,132,250**	**10,346,961**	**245,925**	**(1,052,982)**	**12,957,152**	**1,696,120**	**(1,048,952)**	**(3,472,973)**	**5,867,786**	**(3,501,315)**	**(2,145,725)**	**(336,615)**	**11,274,287**	**31,961,921**