ICEA LION
LIFE ASSURANCE

OUR 2018 INTEGRATED REPORT

UNEP FINANCE INITIATIVE

PSI Principles for Sustainable Insurance

FOREWORD

ICEA LION's 2018 Integrated Report aims to provide a comprehensive overview of how we create shared value for our stakeholders. It is founded upon our relentless pursuit of best practice with regard to corporate governance and our corporate mission to sustainably protect and create wealth for our stakeholders, while considering the Triple Bottom Line (TBL) of people, planet and profit.

In the past, ICEA LION reports were prepared from the limited perspective of financial reporting with a brief highlight on governance issues. Three years ago, we built on this and developed the East African insurance industry's inaugural sustainability report, having been the first insurance company in East and Central Africa to sign onto the United Nations Environment Programme Finance Initiative (UNEP FI) Principles of Sustainable Insurance (PSI). Delighted as we are of this achievement, in 2018 we embarked on an even more enlightened path. Inspired by the International Integrated Reporting Council (IIRC) Framework, we embraced the innovative concept of Integrated Thinking and Reporting.

With this report we expect to provide all interested parties with the information needed to understand the vital role ICEA LION plays in corporate citizenship within the socio-economic sphere. We aim to share our approach to dealing with the real contemporary issues affecting the insurance market sector including the evolution and in some cases revolution of demographics, climate change, the role of innovative technology, our social impact and essentially, our outlook on the future.

It is our belief that revealing our vulnerabilities will not only boost our bid to scale the heights of best practice with regards to relational thinking and corporate governance, but also increase our social licence to operate as we showcase the heart and soul of ICEA LION.

OUR PAST REPORTS

OUR INTEGRATED REPORTING JOURNEY

This report provides an overview of ICEA LION's value creation process. It reports on current and future financial and non-financial information, highlighting the interconnections between the environment we operate in, the 6 Capitals Model, our strategy and our corporate governance stance. Long-term sustainability is at the heart of ICEA LION, anchored on our internally adopted and award-winning best practice corporate governance initiatives. As such, this report is a demonstration of our quest to be more accountable and understood by our stakeholders.

PURPOSE

The purpose of this report is to provide our stakeholders with concise information about ICEA LION in the context of the internal and external environment, as well as our ability to create value over the short-, medium- and long-term. This engagement with stakeholders will enable us to further manage, measure and represent relevant topics within our materiality matrix.

MATERIALITY

This report regards material aspects as those which are likely to impact the Company's ability to achieve its strategy; remain commercially viable; environmentally and socially relevant; and to substantively influence the assessment and decisions of our stakeholders. In pursuing our strategy, we will continue to carefully use the range of capitals available to us as we consider their interconnectedness. This will in turn help us create value for our internal and external stakeholders. Active engagement with them will also enable us to further manage, measure and represent relevant topics within our materiality matrix.

FRAMEWORKS USED

This report has been prepared in compliance with the International Integrated Reporting Council (IIRC) Framework. The ICEA LION Integrated Report Lab and Leadership Team have considered the IIRC guiding principles, key elements and concepts; and with the guidance of the Board of Directors applied these to the preparation of this report. This report is aligned with the parameters of the Kenya Companies Act, 2015, The Corporate Governance Code for the Private Sector, as well as guidance issued by the Insurance Regulatory Authority on Corporate Governance. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). ICEA LION Life Assurance's financial statements contained in this report were audited by PricewaterhouseCoopers (PwC).

REPORTING PERIOD & RESPONSIBILITY OF THE INTEGRATED REPORT

The Integrated Report has been prepared for the period 1 January to 31 December 2018 and covers the activities of ICEA LION Life Assurance Company Limited and its subsidiaries. The ICEA LION Board is responsible for the Integrated Report.

FUTURE OUTLOOK

ICEA LION continues to stand by our commitment to recognise and abide by voluntary standards such as UNEP FI's Principles of Sustainable Insurance. UNEP FI has partnered with eighteen of the world's largest insurers to develop risk assessment tools that will enable the insurance industry to better understand the impacts of climate change and sustainability on their business. The pilot group is to develop analytical tools that they will use to pioneer insurance industry climate risk disclosures that are in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). ICEA LION Group is one of these eighteen insurance companies and is the only African company participating in this task force. This goes to show our commitment towards contributing to the world's best practice as we challenge and encourage our peer companies to follow suit.

Contents

1 - WHO WE ARE

About ICEA LION Group	7
Vision, Mission, Core Values & Brand Promise	9-10
Company History	11
Regional Operations & Organogram	12-13
Our 2018 Awards & Accolades	14
Statements from Chairman & CEO	15-20
Board of Directors Profiles	22-30
Leadership Team Profiles	31-46

2 - WHERE & HOW WE OPERATE

Operating Context	48-50
Stakeholder Context	51-57
Business Model	58
2018 Strategic Plan & Performance	59

3 - GOVERNANCE STATEMENTS

Board Chairman	61-70
Board Finance & Investment Committee	71-72
Board Audit & Risk Committee	73-75
Board ICT Committee	76-77
Board Nomination & Remuneration Committee	78-79

4 - OUR RISK LANDSCAPE

Risks & Opportunities - External & Internal	81-89

Contents

5 - OUR VALUE CREATION

Our Approach: The 6 Capitals Model	90-93
Human Capital	94-97
Intellectual Capital	98-99
Natural Capital	100-101
Social & Relationship Capital	102-109
Manufactured Capital	110-111
Financial Capital	112-114
CFO Statement	115-123
2018 Audited Financial Statements:	
• *Report of directors*	125-126
• *Statement of directors' responsibilities*	127
• *Report of parent company consulting actuary*	128
• *Independent auditor's report*	129-131
Financial Statements:	
Consolidated & Company Statements of Comprehensive Income	132-133
Consolidated & Company Statements of Financial Position	134-135
Consolidated & Company Statement of Changes in Equity	136-137
Consolidated & Company Statements of Cash Flows	138
Notes to the Financial Statements	139-208
Supplementary Information:	
- Consolidated Revenue Account	209
- Company Revenue Account	210
General Business Consolidated Revenue Account	211 - 212

6 - APPENDICES

Corporate Information	214
CSR/CSI Initiatives Listing 2013 - 2018	215
Awards & Accolades 2012 - 2018	216-217
GCR Rating	217
International Integrated Reporting Council (IIRC) Index	218
Our Integrated Report Lab Team	219

01

WHO WE ARE

ABOUT ICEA LION GROUP

ICEA LION Life Assurance is the long-term insurance arm of ICEA LION Group and currently operates in Kenya and Uganda.

ICEA LION Group is a one-stop financial services provider offering innovative products and services in insurance, pensions, investments and trusts. The Group was formed as a result of a business reorganisation involving Insurance Company of East Africa Limited (ICEA) and Lion of Kenya Insurance Company Limited (LOK) in January 2012.

We are one of the largest providers of insurance and financial services in East Africa with well-established operations in Kenya, Uganda and Tanzania. True to our Group's mission to protect and create wealth, we pride ourselves in having one of the strongest balance sheets in East Africa empowering all our stakeholders.

With roots dating back to 1895, ICEA LION was integral to the dawn of commercial progress and opportunity in East Africa and we have continued to shape the region's financial landscape since then. As such, we have decades of experience in helping discerning individuals protect and create their wealth. We have done so by keeping an eye firmly on the future and embracing innovation to craft financial products and services that we know meet our clients' diverse and dynamic needs in today's constantly changing world.

ICEA LION Group is a member of First Chartered Securities Ltd. (FCS), a private investment holding company with interests in financial services, logistics, real estate, manufacturing and agriculture. Over the years, the Group has built impressive investment portfolios in these spheres.

Our life and non-life companies are ICEA LION Life Assurance Company Ltd. and the ICEA LION General Insurance Company Ltd. ICEA LION Asset Management Ltd. and ITSL Trust Company Ltd. are our investment and individual and corporate trusteeship companies. The insurance and investment subsidiaries in Uganda and Tanzania, previously controlled separately by ICEA and Lion of Kenya respectively, also form part of ICEA LION Group.

Our Staff Complement Across East Africa

ICEA LION GROUP
INSURANCE • PENSIONS • INVESTMENTS • TRUSTS

ICEA LION LIFE ASSURANCE
138

ICEA LION GENERAL INSURANCE
172

Subsidiaries

ICEA LION ASSET MANAGEMENT 35

ITSL
ITSL TRUST COMPANY LIMITED 13

ICEA LION GENERAL INSURANCE
32

ICEA LIFE ASSURANCE
41

ICEA GENERAL INSURANCE
44

ICEA ASSET MANAGEMENT
7

OUR MISSION

To Protect & Create Wealth

OUR VISION

To be the leading Pan African provider

OUR CORE VALUES

We see through the eyes of the customer
Our people are important to us
We deliver on our promises
We champion integrity

Our Brand Promise

For every life-changing moment,

we're better together.

COMPANY HISTORY

1964

Insurance Company of East Africa (ICEA) was established in 1964 by Eagle Star Insurance Company and Welfare Insurance Company, both of the UK, and the New Zealand Insurance Company. The company was incorporated on 10th November 1964.

1965

ICEA started writing general business on 1st January 1965

1966

ICEA started writing life business in 1966

1976

In 1976, the Company's foreign shareholders sold their interests to a group of pioneering local investors, making ICEA the first privately owned local insurance company.

2000

Within the region, Insurance Company of East Africa (Uganda) Limited, a composite company (i.e. offering both general and life products) was set up in 2000.

2012

A Business reorganisation between ICEA and Lion of Kenya (LOK) gave birth to ICEA LION Life Assurance & ICEA LION General Insurance respectively; both form ICEA LION Group

OUR REGIONAL FOOTPRINT

KENYA

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UGANDA

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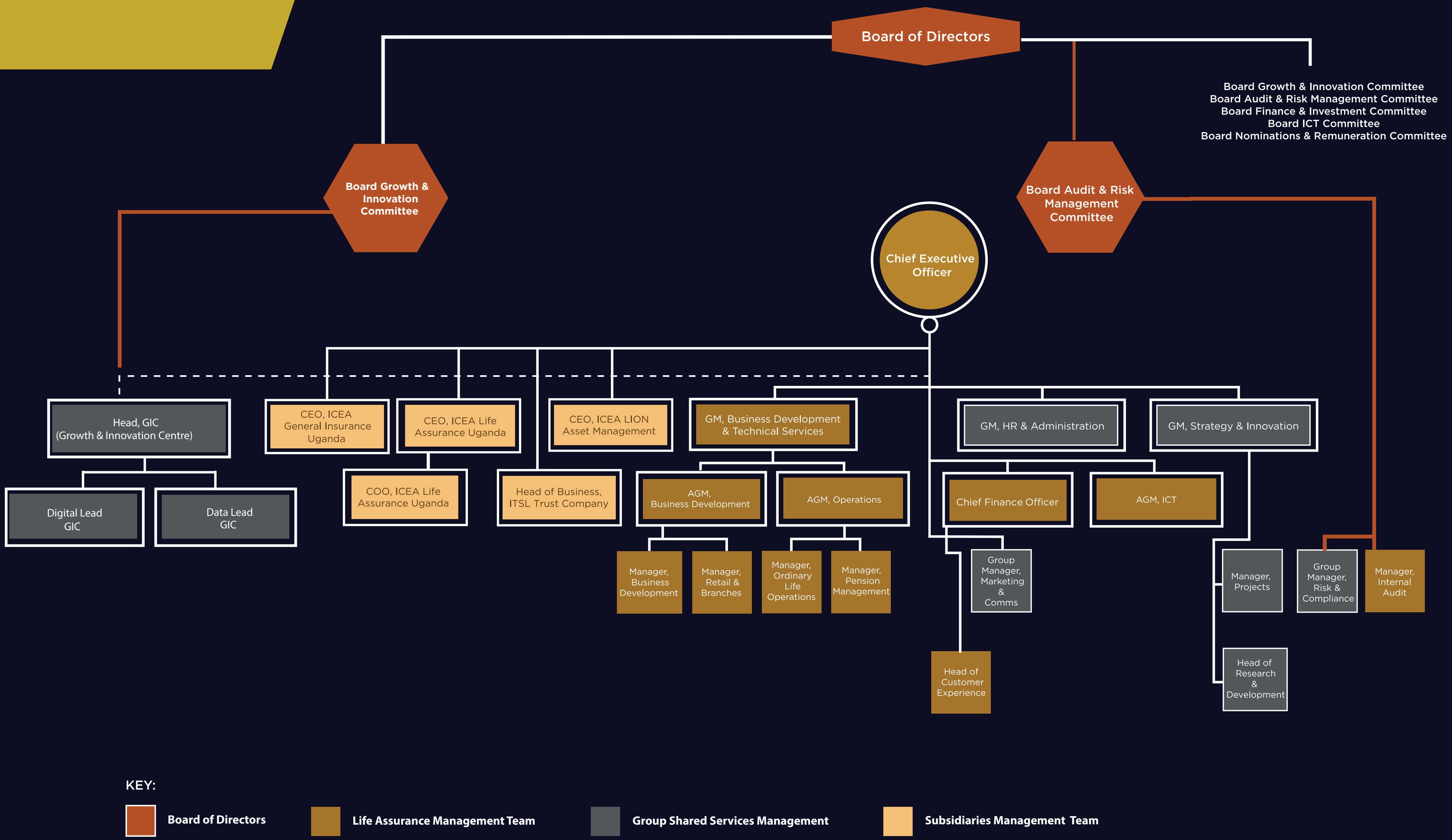
KABALE
NSSF BUILDING | 2ND FLOOR, PLOT 143
TEL: +256 393 239 200

MBARARA
STANDARD CHARTERED BANK
BUILDING
1ST FLOOR, BANANUKA DRIVE
TEL: +256 382 280 501 / 414 692 184

OUR LEADERSHIP STRUCTURE



OUR 2018 AWARDS

PASSIONATE ABOUT DELIVERING ON OUR PROMISES FOR ALL OUR CUSTOMERS & DELIGHTED AT BEING RECOGNISED FOR IT!

THE 2018 INSTITUTE OF CERTIFIED SECRETARIES (ICS) – KENYA – CHAMPIONS OF GOVERNANCE (COG) AWARDS

1st Runner-up – Company Secretary of the Year – Kennedy Ontiti

THE 2018 ASSOCIATION OF PRACTITIONERS IN ADVERTISING (APA) LOERIES AWARDS

Winner – Overall - Grand Prix Award - #BackYourFuture Campaign
Winner – Gold Award – Integrated Campaign - #BackYourFuture Campaign

THE 2018 THINK BUSINESS INSURANCE INDUSTRY AWARDS

Winner - Life Assurer of the Year (2013 - 2018) - 6 years in a row
Winner - Customer Service
1st Runner-up - Claims Settlement
1st Runner-up - Technology & Digital Application

Winner - Corporate Risk Manager of the Year - Dorothy Maseke - ICEA LION Group
Winner - Best Sustainable CSR - ICEA LION Group
1st Runner-up Most Innovative Company - ICEA LION Group
1st Runner-up Product Distribution & Marketing - ICEA LION Group
2nd Runner-up Training - ICEA LION Group

Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present ICEA LION Life Assurance Limited's Integrated Report for 2018. The report gives a comprehensive overview of how the Group creates value in relation to all the resources and relationships collectively referred to as 6 Capitals Model. It highlights the connections between the environment in which we carry out our business, our corporate governance structure and our strategy.

This report is intended to reflect the varied interests and perspectives of all ICEA LION Life's stakeholders offering a holistic view of the Company's performance in 2018.

JAMES NDEGWA

THE ECONOMY

Global expansion weakened, with the International Monetary Fund (IMF) projecting growth of 3.7% in 2018, owing to trade tensions, particularly between the U.S.A and China, and slowed growth in some of the major economies in Asia and Europe. In sub-Saharan Africa, GPD growth for 2018 is expected at 2.9%, as slow growth in the larger economies such as Nigeria and Angola weigh down on faster growing smaller economies on the continent.

Locally, most macroeconomic variables performed relatively well in 2018 as compared to 2017, which had been impacted by drought early in the year, the prolonged electoral process and low private sector credit growth.

Kenya's GDP grew by 6.0% in the first nine months of 2018. The rebound in GDP growth was driven by agriculture, which accounted for one quarter of economic productivity and grew at 5.3% (compared to 1.7% growth in 2017), and the manufacturing sector which comprised 11% of output and grew by 3.2% (compared to 0% in 2017). However, the impact of headline GDP growth on the real economy was hindered partly by continued slow private sector credit growth of 3.2% despite a reduction of the Central Bank Rate by 100 basis points to 9% during the year.

Meanwhile, headline inflation defied the introduction of VAT on petroleum in September to average at 4.7% in 2018 on the back of good rains, which contained food inflation. The Kenya Shilling strengthened by 1.4% against the US Dollar, 5.9% against the Euro and 18% against the South African Rand. The Kenya Shilling benefited from higher diaspora remittances and slow pickup in imports. Interest rates remained on a downward trend as the rate cap compelled banks to reappraise their lending and instead invested more in Government Securities.

The Nairobi Securities Exchange performance in 2018 was depressed with several listed companies issuing profit warnings and a slow-down in foreign investor participation.

THE INSURANCE INDUSTRY

In 2018, Kenya's long-term insurance sector is estimated to have grown by 5.3% in gross premium, including retirement benefit contributions, to Kshs 87 billion compared to a growth of 13.6% recorded in 2017.

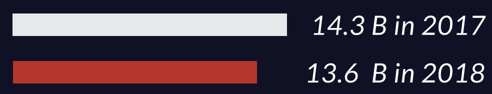
Regulatory pressure continued to impact the insurance industry as increasing focus comes to bear on Risk Based Capital requirements which will come into full force in June 2020. From June 2020 insurers will be expected to maintain adequate capital commensurate with their risk profiles.

The Valuation Best Estimate Assumptions introduced with Gross Premium Valuation Method in 2016 impacted on actuarial valuations of life companies at the end of 2018. This was on account of the Insurance Regulatory Authority (IRA) maintaining a risk margin of 20% while The Actuarial Society of Kenya (TASK) has recommended 10%. Consideration needs to be given by IRA to the recommendation of TASK.

Whereas the intention of introducing Risk Based Capital is noble and clear, it means the industry may have to undergo realignment with some players needing to raise capital to reach the required threshold.

GROUP PERFORMANCE

Consolidated Gross Premium



The Group consolidated contributions and premiums reduced by 5% to close at Kshs 13.6 billion. [By comparison, in 2017 the Group had acquired significant single premium business in the form of two bulk annuities of Kshs 3.1 billion.]

Total Assets Growth

COMPANY PERFORMANCE

Figures in KSH

Company Total Premium & Contributions

13.0 B in 2017

12.1 B in 2018

The growth indicated an excess in the years budget by 1%.

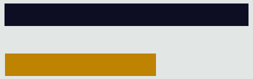
Total Assets

70.3 B in 2017

80.4 B in 2018

We recorded a growth of 14% from the prior year. This growth was achieved despite poor performance at Nairobi Securities Exchange.

Total Investment Income



8.1B in 2017

7.5 B in 2018

The total investment income reduced by 7% in 2018. On account of poor performance of equities in Nairobi Securities Exchange.

Actuarial Surplus Generated

10.9 B in 2017

10.5 B in 2018

The Company declared very competitive rates of interest and bonus to group and personal retirement schemes under management and to the "with profits" ordinary life policies due to the strong performance.

GROWTH & INNOVATION CENTRE (GIC)

The Insurance industry is undergoing profound changes and facing disruption from a host of sources. The Company, too, must adapt, innovate and generally respond to these changes if it is to meet current and future customers' evolving needs.

2018 saw the Group establish a Growth and Innovation Centre to drive the innovation agenda and strategy across the business while ensuring Value Creation.

AWARDS & ACCOLADES

Over the years the Company has been recognised for professionalism, governance, innovation and customer excellence and 2018 was no exception.

The Company scooped the Life Insurer of the Year Award for the sixth year running in the Think Business Insurance Awards 2018.

Apart from retaining the much coveted overall award, the Company won other awards including the Winner Award for Customer Service, Sustainable CSR and Dorothy Maseke was named the Corporate Risk Manager of the Year (having won the same award in 2017). The Company was named first runner-up in Claims Settlement, Technology and Digital Application and second runner-up in Training.

Our focus on business excellence and market leadership saw ICEA LION Life Assurance garner the twelve awards highlighted on page 14.

LEARNING FROM OUR CUSTOMERS

No business today can afford to take customer relationships for granted. One of the ways the Company responds to customers needs and listens to them is by using the Net Promoter Score (NPS) which allows us to measure customer satisfaction.

The NPS has already been effective in obtaining claimants feedback and make improvements and NPS metrics will now be used across the Company to become more consistent about monitoring, targeting and managing customer satisfaction.

THE IMPORTANCE OF OUR PEOPLE

A business can only succeed if it is able to attract and retain skilled talented and motivated individuals. I am grateful to our employees for their contributions, ideas and hard work.

We make sure we have the right people in the right positions at every level across the company, and provide them knowledge and skills they need to deliver exceptional performance.

OUR SUBSIDIARIES

ICEA LION Life Assurance Company Limited has five wholly owned subsidiaries in Kenya and Uganda.

ICEA LION Asset Management Limited (ILAM)

ILAM is a major player in fund management and investment business. Over the years ILAM has prudently invested its clients' assets and generated competitive returns for them. In 2018 ILAM's income grew from Kshs 315 million in 2017 to Kshs 357 million in 2018 a growth of 13%.

ITSL Trust Company Limited (ITSL)

ITSL offers trust services and scheme administration to Group and external clients. In 2018 the Company acquired mandates under both lines of business which resulted in profit before tax growing by 15% to Kshs 31.6 million.

ICEA Life Assurance Company Limited

In 2018 the gross premiums and contributions grew by 21% to Ushs 33.2 billion, while assets grew by 20% to Ushs 89.1 billion. The Life Fund showed strong performance to enable the Company to declare competitive rates of return to Deposit Administration schemes and bonus rates to "with Profits" ordinary life policies.

ICEA General Insurance Company Limited

The Company's gross premium grew by 11% to close at Ushs 21.9 billion, while the net earned grew by 16% to close at Ushs. 10.7 billion.

ICEA Asset Management

The Company income grew by 7 1% to close at Ushs 349 million

BOARD APPOINTMENTS

In 2018 the Company was honoured to welcome four new Non-Executive Directors: Miriam Abdullahi, Kairo Thuo, Caesar J.M Mwangi, and Mugwe Manga. Their appointments have greatly strengthened the Board bringing fresh insights, new expertise and experience as well as a wider independent perspective.

This has been a busy year for the Board, and I am grateful to all my colleagues on the Board, and those on the boards of the subsidiaries, for their dedication, challenge and expertise both at board and board committee level.

OUTLOOK

Based on the Company's 2018 performance, it is evident that it has the right strategy, approach, mindset and culture to compete in this exciting customer-centric market.

The growing economy, low levels of penetration, increasing life expectancy and growing incomes are all indications that the prospects for life insurance are very promising. Going into 2019 the Company's strategy is to make even greater use of analytics to gain in-depth understanding of what customers truly want. In order to achieve this, in-house talent capabilities in analytics that align with the Company's strategic goals are being built and developed.

The Company embraces the highest levels of service, compliance, governance and ethics that has enabled it to create a robust niche that is anchored on customer satisfaction, innovation and sustainable growth. The Company fundamentals remain strong and we are confident that its strategy will continue to deliver value to all stakeholders.

APPRECIATION

I take this opportunity to express sincere gratitude to the Company's customers, regulators, fund managers, scheme administrators, trustees, actuaries, brokers and intermediaries. This continued and unreserved support is highly valued and never taken for granted.

On behalf of the Board of Directors, I would also wish to extend my sincere appreciation to the staff and management for their continued service and dedication to the Company

JAMES P M NDEGWA - CHAIRMAN

CHIEF EXECUTIVE OFFICER'S STATEMENT

2018 was a busy and exciting year for our business. We set very ambitious targets for ourselves and I am pleased to advise that we have made good progress in the first year of our five-year plan. The past year has seen a major step-up in the level of our transformation activity. The teams have worked hard to deliver on each of the 7 strategic pillars that make up ICEA LION Life Plan.

Our promises to customers continued to be fulfilled during the year. Our continued quest to achieve our strategy called for focus on the customers, simplification of our business as well as taking an innovative approach. To make an impactful difference to the lives of our customers means completely rethinking the way we do business. This will include adopting the right mind-set.

WHAT REALLY MATTERS TO CUSTOMERS

As a Company we do not assume we know what customers want. We carry out research to avoid resolving issues that do not serve customer expectations. In general, we have found customer expectations in service fall into three categories:

SPEED & FLEXIBILITY

This includes minimum processing time, responsiveness and needs based service

INTERACTION & CARE

Consisting of comprehensive competence, personal attention, empathy, simplicity and clarity

RELIABILITY & TRANSPARENCY

Including proactive outreach and communication

JUSTUS MUTIGA

That said, we know that not all customer expectations fall into predictable categories, so we gather direct up-to-date feedback from customers to understand what matters most to them. Additionally, not all of the above factors contribute equally to overall experience, so homing in on the most important factors or a combination of factors is critical.

THE EVER-GROWING IMPACT OF TECHNOLOGY

Technology is playing a major and indeed increasing role in the life insurance industry. Life insurers like ICEA LION Life have built assets over the years which include a strong customer base, trusted brand and a history of consistent performance. These have come to represent fairly strong reasons that have empowered us to adopt newer technology to stay ahead of the curve. Life insurers have three main problems to solve:

- Knowing a customer well enough to be able to underwrite the risk accurately at the selling stage, while offering a seamless experience
- Delivering the “moments of truth” at the claim stage, under the tenets and spirit of the contract signed with the customer
- Using data to track assumptions and evaluate risks more stringently, while also undertaking correction accordingly.

I believe there are opportunities to address these three challenges through a mix of analytics, innovation, driving our digital capability, and optimising our operational efficiency. Though some progress has been made in 2018 in these areas, we shall do more in 2019.

SUCCESS THROUGH TEAMWORK

The data-driven world sets demand for high paced change and offers great opportunities for innovation and growth. In this environment we strongly believe in openness and co-innovation and we will continue to enhance this with our customers and partners.

2019 will see another step-up in the implementation of our plan but I remain confident in our ability to deliver our five-year strategic plan and the benefits that it will bring to our customers, colleagues and all other stakeholders.

JUSTUS M MUTIGA

CHIEF EXECUTIVE OFFICER

OUR BOARD OF DIRECTORS

Seated at the front row from left to right: Justus Mutiga, CEO | James Ndegwa, Chairman | Dr. Peter Kamau, Director
Dr. Caesar Mwangi, Director

Standing & seated at the back row from left to right: Andrew Ndegwa, Director| Mugwe Manga, Director | Kairo Thuo, Director | Kennedy Ontiti, Company Secretary | Mariam Abdullahi, Director | Robin Ndegwa, Alternate Director | David Hutchison, Director | Patrick Mugambi, Alternate Director | Steven Oluoch, Director

OUR BOARD OF DIRECTORS PROFILES

JAMES NDEGWA | Board Chairman

James is the Chairman of ICEA LION Life Assurance Company Limited as well as the Chairman of First Chartered Securities Group, a private investment holding group with interests in financial services, logistics, property and agriculture among others.

James holds a Master of Arts (Hons) degree from Oxford University, U.K.. He has over 30 years' experience in the insurance sector starting out at Hogg Robinson Insurance Brokers in 1986 where he rose through the ranks to become a Senior Manager. In 1993, he joined Lion of Kenya Insurance Company as the Technical Manager, rising to Assistant General Manager, Deputy Managing Director and finally as the Managing Director from 1997 to 2003.

He joined the Boards of First Chartered Securities, Insurance Company of East Africa and Lion of Kenya in 1996. In 2003, he was appointed Chairman of First Chartered Securities. James is also the Chairman of NIC Bank Group and Mitchell Cotts Kenya Group. In 2015 he was appointed Chairman of the Board of the Capital Markets Authority.

DUNCAN NDEGWA | *Director*

Duncan was born in 1925 in Nyeri, Kenya. He commenced his secondary school education in 1944 and rose to become the Captain at Alliance High School. He attended Makerere College in Uganda before proceeding to University of St. Andrews in the U.K where he graduated with a Master of Arts (Hons) in Economics and History. He started off his career in 1956 as an Economist/Statistician at the East Africa High Commission before joining the Kenya Treasury as a Deputy Secretary in 1959. At independence in 1963 he was appointed the Permanent Secretary in the office of the President before becoming the Secretary to the Cabinet later that year. He was Head of the Civil Service and Advisor to the President and Cabinet in charge of coordination and monitoring of government functions.

Between 1967 and 1983, he was appointed the Governor of the Central Bank of Kenya four times. He was also the Alternate Governor of the IMF and served in the Interim Committee of World Bank and IMF. Between 1970 and 1971, Duncan was the Chairman of the Commission of Enquiry (Public Service Structure and Remuneration), Sessional Paper 1973. He was cited by the President with the award of Elder of the Golden Heart (EGH) and in 1983, he retired as the Governor of Central Bank.

Mr. Ndegwa served as the Chairman of Alliance High School between 1977 and 1987 and was the Chairman of Unga Group Limited between 1984 and 1998. He is the Chair, Director and Trustee of numerous organisations. He is also a member of the Bretton Woods Committee.He has been involved in numerous philanthropic activities over the years. Mr. Ndegwa has written various papers and articles in the field of Banking, Economics and Finance and is the author of “Walking in Kenyatta Struggles.”

ANDREW NDEGWA | *Director*

Andrew is the Executive Director of First Chartered Securities, a private investment holding company with interests in financial services, logistics, real estate, manufacturing and agriculture. He holds a Bachelor of Arts (Hons) degree in Philosophy, Politics and Economics from Oxford University.

Andrew began his career in the banking industry, and between 1990 and 1994 worked at Mercantile Finance Company, its affiliate The African Mercantile Banking Company and at Citibank Nairobi. He joined First Chartered Securities in 1994 as the Group Planning Manager and in 2000 was appointed to the Board as Executive Director. He is also a Non-Executive Director of several other companies, including NIC Group Plc and Unga Group Plc, both of which are quoted on the Nairobi Securities Exchange.

Andrew is a trustee of Faraja Cancer Support Trust.

PATRICK MUGAMBI | *Alternate Director*

Patrick is the Planning & Projects Director of First Chartered Securities Ltd, a private investment holding company with interests in financial services, logistics, real estate, manufacturing and agriculture.

Patrick holds a BSC in Business Administration from USIU and is a Certified Public Accountant and alumnae of IESE Business School. He is also a Member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a Member of the Overseas Technical Scholarship (AOTS) Japan.

He previously worked for PricewaterhouseCoopers and Shell Exploration and Production Kenya BV between 1988 and 1992. Prior to his present position, he was the Executive Director and Chief Operating Officer of Mitchell Cotts Kenya Group until January 2006.

Patrick is also a Non–Executive Director of Mitchell Cotts Group Limited and a director of several other companies.

ROBIN NDEGWA | *Alternate Director*

Robin is the Executive Director, Upcountry Investments Division, in charge of strategic development at Nderitu Ndegwa Investment Company Limited. Robin attended York University in Ontario Canada between 1987 and 1990 and attained a Bachelor of Arts in Political Science. Between 1990 and 1991 he attended Atkinson College undertaking Administrative Studies.

In 1992, he joined Keremara Limited as a Management Trainee and rose through the ranks by the time of his departure in 2009 to become the GM & MD responsible for strategic direction, financial planning, marketing of produce, real-estate development and general administration matters.Between 2004 and 2009, he was the Director, Administration; Treasury and Finance at Duncan Nderitu Ndegwa (DNN) Trust Company Limited. Thereafter, from 2009 and 2012, Robin was the Director, Administration, at Kenga Equatorial Hotels Limited.

Robin has attained various professional qualifications including an Advanced Management Program from Strathmore Business School as well as a Certificate from the Berkeley Executive Leadership Program from Hass Business School, UCLA, Berkley, California, U.S.A.. In addition, he has attained a KPMG Certificate Course Accounts for Managers as well as a Corporate Governance Certificate from the Centre for Corporate Governance.

STEVEN OLUOCH | *Director*

Steven is the CEO of ICEA LION General Insurance Company Limited. Steven holds a Bachelor of Commerce from the University of Nairobi and a Global Executive Master's Degree in Business Administration from USIU in collaboration with Columbia University, New York. Professionally, he is an Associate of the Chartered Insurance Institute of London and is a Chartered Insurer.

Steven's vast experience in the insurance sector spans 36 years, having worked at three reinsurance companies: Kenya Reinsurance Company where he commenced his career as a management trainee in 1983; PTA Reinsurance Company (ZEP-RE); and Tanzania National Reinsurance Corporation Ltd (TANRE). Steven rose through various ranks to the position of Managing Director & Chief Executive Officer of TAN-RE in Dar es Salaam, Tanzania between 2007 and 2010, before returning to Kenya to join the ICEA LION Group.

As a result of serving on numerous boards and their various committees, he has in addition to his previous long reinsurance practice and management experience, gained invaluable learning and hands on experience in the management of non-life insurance operations, life assurance company operations, asset and fund management as well as investment operations in Kenya, Uganda and Tanzania.

DR. PETER KAMAU | *Director*

Dr. Kamau is a Family Physician and has been a practicing medicine for over 56 years. He attained his Cambridge School Certificate from St. Leos College, Virika, Uganda in 1953. He proceeded to attain an L.M.S (EA) from the University College Makerere in 1962 and his M.B., ChB (E.A) from the University of East Africa in 1964. He pursued his postgraduate training and attained a Diploma in Public Health (Royal College of Surgeons and Physicians) from the Royal Institute of Public Health and Hygiene.

Between 1962 and 1966, he was a Medical Officer for the Government of Kenya and the Nairobi City Council. Between 1966 and 1969, he was the Deputy Medical Officer of Health and the Acting Medical Officer of Health for the Nairobi City Council. In 1969, he went into Private Practice as a Family Physician. He has been a Member of numerous institutions including the Medical Practitioner & Dentists Board, Kenya Medical Association, Medical Protection Society, United Nations Examining Physician and Nairobi Hospital Management Board.

He is the Chairman of Karirana Tea Estates, Diagnostic Centre Limited and Upper Hill Medical Centre Limited. He is also a Director of Asset Managers Limited, First Chartered Securities and Pema Investments Limited.

DAVID HUTCHISON | *Director*

David is the current Chairman, The Banda Group Education and Property Groups.

David is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA), a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a member of the Institute of Certified Public Secretaries of Kenya (ICPSK).

He has over 40 years professional experience and has been involved in the audits of banks and financial institutions, manufacturing companies, hotels and tourism, aviation companies, agricultural and insurance companies. He has several years' experience in General Practice, Taxation and Consultancy, IT and others. He was a Partner at Ernst & Young, East Africa, from 1970 until June 2006. He was Chairman in 1988 and Senior Partner in 2002. He was a member of the Panel of Experts of the UN appointed Mediator of the East African Community involved in the evaluation of assets and distribution of liabilities for Kenya, Uganda and Tanzania.

He is the Chairman, Non-Executive Chairman and Non-Executive Director of numerous organisations spanning advertising & communications, manufacturing, education, properties and real estate, banking, insurance and reinsurance sectors.

MARIAM ABDULLAHI | *Director*

Mariam Abdullahi is SAP Africa's Telecommunications Industry Lead and is responsible for the overall Telco strategy and execution across the continent.

Mariam holds a Bachelor of Science with a special focus on Computer Science and Business Management from Brunel University England.

With over nineteen years of experience in both IT and Telco industries, Mariam's career began in the automotive industry in the U.K. where she led IT Services and Outsourcing for Ford Motor Company. Since then she has held various leadership positions in Sales, Operations, Customer Service and Transformation lead roles at multinational organisations including Microsoft, Oberthur Technologies, Brightpoint, Zain and Emirates telecommunications company 'du' in the U.S.A., Europe, Asia, the Middle East and Africa.

Empathy for people, great ideas and contributing to the empowerment of societies through technology gives Mariam her greatest satisfaction.

MUGWE MANGA | *Director*

Mugwe is the Co-Founder and Executive Director of Olsuswa Energy Limited, a Kenyan-based and registered geothermal exploration company. He is also the Co-Founder and Executive Director of Mayfox Mining Company Limited, Kenya's leading indigenous mineral exploration company.

Additionally, Mugwe is the Co-Founder and Managing Director of Mayfox Digital Media. Prior to founding his companies, Mugwe was a Junior Analyst at Goldman Sachs International, London, U.K. Mugwe has a Master's in International Business (MIB) from Grenoble École de Management (Grandes Écoles), France, and a BSc (Hons) in Economics from the University of Nottingham in the United Kingdom. Prior to that, he attended the Sevenoaks School in the United Kingdom where he attained his International Baccalaureate Diploma with distinction.

Mugwe has a diploma in Sustainability and Leadership from the Swedish Institute. He is a Fellow of the Swedish Institute Management Programme (SIMP), a global programme on Leadership and Sustainability for Young African leaders.

Mugwe is a dynamic serial entrepreneur and extractive industry leader, with over eight years' experience across various sectors in Africa. He boasts demonstrable capacity of conceptualizing start-up initiatives and growing them to large scale investor-ready organisations. Mugwe is motivated by the vision of playing a substantial role in molding Kenya's extractive into a hub of global distinction and immense opportunity.

KAIRO THUO | *Director*

Kairo is a consultant and a founder partner of Viva Africa Consulting LLP and Viva Africa Consulting Limited. He is both a lawyer and accountant by profession. He attended Strathmore and the University of Nairobi where he graduated with LLB (Hons) and is a CPA-K and CPA-T holder.

He was previously responsible for establishing and running the Tax Transaction Advisory Group at Deloitte and Touche as the Director of the unit, was responsible for mergers, acquisitions, transaction arrangements, wealth structuring and funds management as well as corporate and legal structuring. Kairo has extensive experience in all areas of taxation in Kenya, Uganda, Rwanda and Tanzania and other countries in Africa. His experience involved all areas of legal, finance and taxation and was also involved in establishment of specialised tax service lines in direct and indirect taxation including customs, international tax and transfer pricing.

Amongst many of his key achievements, Kairo remains the only individual to-date to be recognised by KRA in the annual taxpayers' awards for contribution towards tax education in Kenya having also been recognised by the IFC for outstanding tax advice contribution in the Kenya and Uganda Railways concession process. He also contributed to capacity enhancement for the East Africa Law Society and the Institute of Certified Public Secretaries of Kenya.

He also serves on the Boards of Kenya Power, Special Economic Zones Authority, NIC Bank and ICEA LION Asset Management.

Dr. CAESAR MWANGI (PhD) | *Director*

Caesar is the Managing Director of the Centre for Personal Leadership (CPL Africa) where he has been involved in designing and delivering people and organisational improvement initiatives focused on organisational transformation through effective leadership practices and development of enabling organisational culture. He has a PhD. in Organisational Performance and Change Management from the Rand Afrikaans University (currently University of Johannesburg), an MBA from the Wits Business School in Johannesburg and a BA in Economics from University of Nairobi. He is also a Certified Public Accountant (CPA), a Certified Internal Auditor (CIA) and a Certified Executive Leadership Coach.

Previously he worked as the MD of Sasini Ltd, where he spearheaded the company's transformation from a production focused entity to an effective people-centered, market-focused entity. After Sasini he worked as Regional Director for the Global Village Energy Partnership. In the past he also worked in South Africa and Ethiopia as a Business Consultant in Deloitte and Touche Johannesburg, Finance Director of the Independent Mediation Service of South Africa and also as Associate Director for the Consultative Group in International Agriculture Research (CGIAR).

He is trained in Corporate Governance by the Centre for Corporate Governance and has been a facilitator on the Effective Director (TED) programme at Strathmore Business School. He is the Vice Chairman of the Strathmore University Council and Chairs the Boards for the Kenya Markets Trusts (KMT) and the Kianda School in Nairobi. He is also a member of the Investment Committee for the World Bank Funded Kenya Climate Ventures (KCV) Fund.

KENNEDY ONTITI | *Company Secretary*

Kennedy is the Group Company Secretary for First Chartered Securities Group, ICEA LION Group and Mitchell Cotts Group. Kennedy holds a Master of Laws in International Trade and Investment Law (LLM) and is a Certified Public Secretary of Kenya (CS-K).

Kennedy is a Council Member of the Chuka University and the Chairman Audit, Governance and Risk Management Council Committee of Chuka University. He is also an Advocate, Commissioner for Oaths & Notary Public and a Member, Law Society of Kenya (LSK). He is also a Member of the East Africa Law Society (EALS) and a Member of the Institute of Certified Public Secretaries of Kenya (ICPSK). Additionally, Kennedy is an Associate of the Chartered Institute of Arbitrators (ACIArb).

Prior to joining First Chartered Securities, Kennedy worked as Legal Counsel at Oil Libya Kenya Limited between 2008 and 2012. Between 2006 and 2007, he was an articled pupil engaged in civil litigation, conveyancing, commercial and corporate law at Ochieng', Onyango, Kibet & Ohaga Advocates (Now Triple OK Law Advocates).

Kennedy's professional achievements include being named the Winner of the Company Secretary of the Year Award at the Institute of Certified Secretaries (ICS) Kenya's Champions of Governance (COG) Awards in 2015 and 2016. In 2017 and 2018, he emerged second and first runner-up. In the same year Kennedy received a Commendation for Outstanding Contribution to the Activities of the Institute and the Profession at Large from the ICS.

JUSTUS MUTIGA | *Director & Chief Executive Officer*

Justus is a graduate of University of Nairobi, City University of London, Fellow Chartered Insurance Institute (FCII) – London, Fellow Insurance Institute of Kenya (FIIK) and is a Chartered Insurer.

Justus' has been involved in the financial services industry for over 35 years; his outstanding knowledge has greatly enriched ICEA LION. He has received a plethora of awards for his leadership including Life Assurer of the Year for the past 6 consecutive years (2013 to 2018) and Deloitte's Best Company To Work For Award for the insurance sector the for three years (2014 to 2016). He was also awarded first runner-up for CEO of the Year for the Champions of Governance Awards ahead of over 800 CEOs and in 2015 and won the Overall CEO of the Year Award in the same category in 2017. He was also bestowed the Lifetime Achievement Award in recognition of his contribution to the industry in East Africa at the Think Business Insurance Awards in 2016.

A respected professional within the insurance circles, Justus is a mixture of the best of both worlds –academia and business, specifically the insurance industry. Specialising in life insurance and pension, Justus enjoys providing unparalleled professional service, working with clients to help them achieve their financial goals. He has contributed immensely to the development of the life insurance industry. A prolific mentor and tutor, Justus is regarded by the industry as a true innovator. Most of the life and pensions products sold in Kenya today have Justus' fingerprints. A great number of professionals within the life insurance industry can credit their growth and success to Justus' able tutelage. He has served as Chairman of the Association of Kenya Insurers (AKI) and in various capacities at AKI, Insurance Institute of Kenya and Association of Retirement Benefit Schemes. He has been a member of Kenya National Insurance Examinations Board, a curriculum developer at the College of Insurance and Vice Chairman of Dedan Kimathi University. He is currently a Director at ICEA LION Asset Management and a Director of four SMEs.

Justus has written numerous publications and papers on the industry. He is a regular and noted speaker at regional insurance and financial services conventions.

One of Justus' crowning glories is ICEA LION Group's headquarters at the state-of-the-art ICEA LION Centre at Riverside Park in Westlands. He took great pride in delivering a modern facility for the ICEA LION Group family and customers to enjoy.

Our Leadership Team

GEORGE NYAKUNDI, GM | *Business Development & Technical Services*

George holds a Bachelor of Arts Degree in Economics from Napier University in Scotland, U.K.. He holds a Master's Degree in Business Administration from the Eastern and Southern Africa Management Institute (ESAMI). Professionally he is an Associate of the Chartered Insurance Institute of London and holds a Diploma in Life and Disability Underwriting (DLDU) from the Assurance Medical Society, London. He has over 30 years' experience in the life assurance sector. George started his career at Kenindia Assurance as a Management Trainee in 1988 before moving on to Occidental Insurance where he briefly worked as the Marketing and Administration Manager. He later joined Jubilee Insurance in 1999 as a Senior Underwriter for the Group's life insurance business in East Africa and left in 2006 to join Alliance Insurance Corporation in Tanzania as the Head of the Life Business. At the time, it was a composite insurance company and in 1999, he spearheaded the demerger of the life business to form Alliance Life Assurance Company, Tanzania, serving as the Assistant General Manager before taking over as the Chief Executive Officer in 2013. After working out of the country for ten years, he voluntarily resigned to come back home and join ICEA LION Group.

As the Chief Executive Officer of Alliance Life Assurance Limited Tanzania, George steered and led the Company to win numerous industry and commercial awards. At the time of his exit, the Company was ranked as the second largest private life insurance company in Tanzania, by market share and profitability.

EUNAH THINWA, | *Assistant General Manager, Operations*

Eunah holds a Bachelor of Commerce (Insurance Option) from the University of Nairobi and is qualified as an Associate of Chartered Insurance Institute London (ACII). She is also a member of the Insurance Institute of Kenya (IIK). She has received further professional training by National Insurance Academy of India, Swiss Re Life and Health in South Africa and locally from the Insurance Institute of Kenya.

Eunah has over 30 years experience in the Life and Retirement Benefits sector having worked over the years at various financial institutions such as the Insurance Company of East Africa Limited, Kenya National Assurance Company, Standard Chartered Investment Services and Standard Chartered Bank. Eunah currently serves as a member of the AKI Pensions Committee which is mandated to liaise between the Industry and various regulators such at Retirement Benefits Authority (RBA) and KRA for smooth operation of the Retirement Benefits sector in the Insurance Industry.

GLADYS MUSEMBI | *Assistant General Manager, Group Business Development*

Gladys holds a BA in Banking, Insurance and Finance from Sheffield Hallam University, U.K. and a Master's in Business Administration from Jomo Kenyatta University. She is a Fellow of the Chartered Insurance Institute, London and Chartered Insurer.

Gladys has over 25 years' experience in insurance, banking and capital markets. She started her career at Kenya Reinsurance Corporation as a Reinsurance Officer and later moved to the Insurance Company of East Africa Limited where she served for eleven years in various positions before joining Co-operative Bank of Kenya as Head of Custodial services. Gladys has also served at Liberty Life as Head of Deposit Administration and a General Manager Custodial Services at Equity Bank prior to joining ICEA LION in September 2017.

Gladys is an active member of the Association of Kenya Insurers and has served in various technical committees.

RONALD NYAMOSI | *Chief Finance Officer*

Ronald holds a First Class Bachelor of Commerce Degree (Accounting Option) and a Master's Degree in Strategic Management from Kenyatta University. He is a Certified Public Accountant of Kenya (CPA-K) and member of the Institute of Certified Public Accountants of Kenya (ICPAK). Ronald is currently pursuing a PhD in Entrepreneurship from the Jomo Kenyatta University of Agriculture & Technology.

Ronald started his career at Jubilee Insurance joining straight out of university where he worked five years and grew to the position of Management Accountant before being transferred to their regional offices. He served as the Financial Controller for 3 years at Jubilee Insurance in Uganda and later as the Chief Financial Officer of Jubilee Insurance in Tanzania.

Ronald's nineteen years of experience in the East African insurance sector has resulted in a very rich background in financial management leading to a range of competencies in financial planning, cost, investment and people management. He was instrumental in delivering the 2013–2017 ICEA LION strategy formulation and implementation.

CAROLINE MAINA | *Assistant General Manager, ICT*

Caroline has a Bachelor of Information Technology Degree from the University of Missouri, Kansas City and an MBA in Project Management from the Keller Graduate School of Management in Kansas City, Missouri. She holds a number of IT, Change Management and Project Management certifications.

She has over 15 years of progressive experience in Information Technology (IT). As an IT executive with proven skills in IT Strategy & Execution as well as management of IT Systems & Operations, she has led large technology-intensive teams to deliver internal and outsourced business solutions in the insurance, airline and city government sectors.

Prior to joining ICEA LION in 2013, she held various roles in IT in Kenya and the United States having worked for the City of Kansas City in Missouri, Highmark BlueCross Blue Shield in Pittsburgh, Pennsylvania, and Kenya Airways and UAP Holdings both in Nairobi, Kenya.

KENNEDY ODENYO | *Manager Group Business Development*

Kennedy holds a Bachelor of Commerce Degree from the University of Nairobi and a Master's Degree in Business Administration from USIU. He is a Fellow of the Chartered Insurance Institute of London, a Chartered Insurer and a Fellow of the Insurance Institute of Kenya (IIK). In addition, he holds a Diploma in Life and Disability claims from the Assurance Medical Society, U.K.

He has 17 years' work experience having joined Insurance Company of East Africa Limited as a Management Trainee and rising through the ranks in different departments to his current position. He is in charge of new business acquisition and retention, relationship management, markets and product development for corporate business including deposit administration, annuities, personal retirement schemes and group risk business.

Kennedy has been an active participant at the Insurance Institute of Kenya (IIK) where he served in the Finance Committee and the Association of Kenya Insurers (AKI) where he is presently a member of the Microinsurance Committee.

PATRICIA KIHARA | *Manager, Ordinary Life & Branches*

Patricia holds a LOMA Diploma from the Associate Life Management Institute (ALMI), a Bachelor of Education from Moi University and is currently pursuing a Master's in Project Planning and Management from the University of Nairobi. She began her career as a teacher in 1996 before joining Barclays in 1997.

Patricia has 20 years of experience in the insurance sector having worked at Old Mutual as a Life Agent for two years before joining Insurance Company of East Africa (ICEA) in 2000 as a Market Outreach Executive. In 2007, she was appointed Assistant Manager, Business Development, where she successfully set up the intermediary channel for ordinary life retail clients. In 2011, she went on to serve as the Head of Bancassurance & Alternative Distribution Channels up until 2016 when she was appointed to her current post.

In 2018, Patricia was able to lead the agency network to deliver the highest number of qualifiers for the Association of Kenya Insurers Agents of the Year Awards (AAYA) in the company's history. Patricia is a member of the Individual Life Committee at AKI.

MUIRI WAICHINGA | *Manager, Ordinary Life Operations*

Muiri is an Associate of the Chartered Insurance Institute of London and is also a Chartered Insurer. He started his career twenty nine years ago as a clerk with Insurance Company of East Africa (ICEA) and honed his skills in life insurance operations having worked in all related departments and rose through the ranks to his present position.

Muiri has been instrumental in the establishment of the ordinary life sales agency network as well as the growth of the retail business to what it is today.

FELIX CHOMBA | *Manager, Pension, Deposit Administration & Actuarial*

Felix holds a Bachelor of Science Degree in Mathematics and Statistics from Kenyatta University and is currently undertaking acturial examinations from the Institute & Faculty of Actuaries in London.

Felix joined ICEA 28 years ago as a graduate actuarial trainee and rose through the ranks to his current position heading the Deposit Administration & Actuarial Services department. He has extensive experience in the administration of pensions, claims and actuarial services which includes life business actuarial valuations.

Felix is an active member of the The Actuarial Society of Kenya (TASK) and has served in the Life Working Party that was instrumental in coming up with the Risk Based Capital Guidelines. He has also been involved in a number of committees at the AKI.

PRISCA MWIKA | *Head of Customer Experience*

Prisca holds a Bachelor of Education in Commerce and Economics from the University of Nairobi. She has 18 years experience in the insurance sector having worked at Pan Africa Life for five years both in Claims and Customer Experience before joining the Insurance Company of East Africa (ICEA) in 2006 as an Underwriting Assistant.

In 2012, Prisca was promoted to Underwriting & Customer Service Officer, where she successfully headed the customer service team at the Central Business District Branch up until 2018 when she was appointed to her current post.

ENID OTIENO | *Manager, Internal Audit*

Enid holds a Bachelor of Commerce (Accounting Option) Degree from the University of Nairobi and a Master's in Business Administration from Strathmore Business School. She is also a Certified Public Accountant (CPA - K).

Enid has ten years external audit experience with Deloitte & Touche, in both Kenya and Tanzania. She worked with First Chartered Securities for seven years as an assistant group internal auditor after which she moved to ICEA LION Life Assurance Company Limited in June 2013.

Enid is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Internal Auditors (IIA Global), Association of Certified Fraud Examiners (ACFE), Association of Women Accountants of Kenya (AWAK), Women on Boards Network, Institute of Directors (IOD) Kenya and Business Ireland.

Shared Services

NAOMI MUNYI | General Manager, Strategy & Innovation

Naomi holds a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi as well as a MBA in Strategic Management. Naomi is a Certified Public Accountant of Kenya (CPA-K) and a Certified Public Secretary (CPS) of good standing.

Naomi's experience in the industry spans over 30 years with significant experience in finance, company secretarial duties, corporate governance as well as strategy formulation and implementation. Prior to the ICEA LION Group merger in 2012, Naomi was the General Manager in charge of Finance and Corporate Services for ICEA. Thereafter, Naomi was appointed General Manager, Finance and Strategy for ICEA LION Group and subsequently the General Manager Strategy and Innovation. Naomi has presided over the development of both the 2013–2017 and 2018–2022 Group business strategies.

MICAH MAHINDA | General Manager, Human Resources & Administration

Micah holds a Bachelor of Arts degree in Political Science and Sociology as well as a Post Graduate Diploma in Education. Professionally, he is a pioneering member of the Institute of Personnel Management (Kenya); the precursor of the Institute of Human Resources Management (Kenya). He is a Fellow of IHRM (K). Micah is a Certified Organisational Effectiveness Coach, Certified Group and Team Coach and a member of the International Coach Federation (ICF).

He has over 30 years of combined expertise in Human Resources Management gained from a broad range of backgrounds in the insurance, hospitality, manufacturing, and educational sectors in Kenya.

During the ICEA LION business reorganisation process from 2010 to 2012, he successfully provided HR and administrative support as a member of the Steering Committee. He also played a major role in the successful change management and people integration process following the business reorganisation.

Through Micah's stewardship, ICEA LION Group won the Deloitte Best Company To Work For award for the Insurance Industry for three years running: 2014, 2015 and 2016.

NKATHA GITONGA-KINUTHIA | *Group Manager, Marketing & Communications*

Nkatha holds a MBA in Leadership and Sustainability from the University of Cumbria, U.K. and a BA in Political Science and Sociology from the University of Nairobi. She has over 20 years experience in the field of marketing and communications having worked both at leading advertising and communications agencies as well as on the client side of the relationship. Nkatha honed her skills in the sector having worked for progressive organisations spanning entertainment, advertising and media, aviation, ICT and financial sectors.

She has successfully delivered strategic marketing and communications projects for both Ayton Young & Rubicam and Scangroup Advertising agencies' wide-ranging clients, as well as being a key driver of the Kenya Airways and Access Kenya (now Internet Solutions) marketing and communications departments' agendas prior to joining ICEA LION Group in 2014.

Nkatha has been instrumental in driving ICEA LION's digital revolution on social media as well as championing the initiatives that have led ICEA LION to be the most awarded insurance and investments company since 2014.

JOHN WANJOGU | *Group Manager, Projects*

John holds a BSc in Engineering from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and a Master of Information Systems from Queensland University in Australia. He is an active fully qualified member of Association of Chartered Accountants (ACCA).

His career spans over 15 years having started out as a Technology Training Consultant at the Institute of Advanced Technology (IAT) and later as an ICT Solution Developer at Symphony Technologies Ltd. He later joined Insurance Company of East Africa (ICEA) as an Assistant Manager in ICT. He rose through the ranks and played a significant role during the merger of ICEA and Lion of Kenya. Eventually, building on his multidisciplinary skills and experience he now heads the Projects Management function for ICEA LION Group within the Strategy and Innovation unit.

John's dedication and enthusiasm has seen him garner extensive experience in managing large scale innovative initiatives with proven success in technology implementations, new product designs and process re-engineering using methodologies such as Lean Six Sigma, digital transformation and customer experience solutions. In professional circles, John was instrumental in the establishment of the Project Management Institute (PMI) Kenyan Chapter as the Founding Chair.

DOROTHY MASEKE | *Group Manager, Risk & Compliance*

Dorothy holds a First Class Honours Degree in Computer Science from the University of Nairobi. She holds an international post-graduate Diploma in Risk Management from the Institute of Risk Management (IRM) U.K., a Diploma in Business Continuity from Bucks New University, U.K. and a Diploma in Sustainability and Leadership from the Swedish Institute. She is certified in Environmental and Social Risk Analysis from INCAE Business School. She is also a Certified Anti-Money Laundering Specialist (CAMS), Certified in Risk and Information Systems Controls (CRISC), Certified in Management Information Systems (IMIS), Certified Environmental Auditor and Certified Internal Auditor 2.

Dorothy has a thirteen-year progressive career having started out at KPMG within the Risk Consulting department, later moving to UAP Holdings Internal Audit department. She holds senior leadership roles in a number of industry forums including the East Africa Regional Group Chair of the IRM U.K. She is a Task Force member for the UNEP FI Sustainable Finance for Africa and Middle East and the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Dorothy is a Fellow of the Swedish Institute Management Programme (SIMP), a global programme on Leadership and Sustainability for Young African leaders. Dorothy has been the winner of the Corporate Risk Manager of the Year Award at the Think Business Insurance Industry Awards in 2017 and 2018.

JACQUELINE OCHIENG | *Head of Research & Development*

Jacqueline holds a Bachelor of Business Administration, Marketing Major from Kenya Methodist University and a MBA in Project Management from Kenyatta University. She also holds a Diploma in Business Management from Kenya Institute of Management.

She commenced her career as a Qualitative Research Executive at Ipsos Synovate (then Steadman Group) in 2004 before joining Strategic Research in 2007 as a Research Executive. In 2010 she moved to Transparency International to serve as a Deputy Programme Officer - Research, and then onto Kenya Institute of Management (KIM) in 2012 as the Manager in charge of the Business Intelligence and Research Department, prior to joining ICEA LION in 2016.

Jacqueline has published numerous articles related to business improvement in journals and various publications and is a regular contributor to KIM's 'Management' Magazine.

Subsidiaries

EINSTEIN KIHANDA | *CEO - ICEA LION Asset Management*

Einstein holds a Bachelor of Science Degree in Business Administration (Accounting & Finance Major) from the United States International University (USIU) and a Master's in Management and Organisational Development from the same university. Einstein also holds a Master's in Finance from the University of Strathclyde in Scotland, U.K.

Einstein's experience in investment analysis, research and fund management spans 20 years, having joined Equity Stockbrokers as a Research Analyst in February 1999 followed by a brief stint as Research Manager at Barclaytrust Investment Services shortly before its acquisition by Old Mutual. Einstein started his career in fund management in January 2002 when he joined ICEA Investment Services as Head of Portfolio Management Services and thereafter Old Mutual Asset Managers, CFC Stanbic Financial Services, Sanlam Investment Management Kenya and back to ICEA LION Asset Management as Chief Investment Officer prior to being promoted to CEO in December 2015. Einstein also serves as a Director of ICEA Asset Management (Uganda).

He has steered his organisations to win 28 Think Business Investment Awards (2014 to 2016) and runner-up awards (2017 and 2018) at the Institute of Certified Secretaries (ICS) Kenya's Champions of Governance Awards for the Investment Sector.

Einstein is the current Chairman and immediate past Vice Chairman of the Fund Managers' Association (FMA).

JANE JUMA | *Head of Business - ITSL Trust Company Limited*

Jane is pursuing a Bachelor of Commerce Degree from the University of Nairobi and holds a Certificate from the Chartered Insurance Institute of London. She is a Certified Trustee under the Law.

Jane joined Insurance Company of East Africa (ICEA) in January 1982 and in her 37 years at the organisation has worked in all departments save for life assurance claims for the group life business.

Since December 2008, Jane has led the corporate trusteeship team in the maintenance and custody of assets for beneficiaries in order to preserve and distribute their wealth as intended. In pension scheme administration, she led the team to become one of the leading organisations that maintain client data, calculate and communicate benefit options, co-ordinate service providers, train trustees, offer retirement planning training and prepare scheme accounts.

While working under the life business, Jane represented the company at the Association of Kenya Insurers (AKI) Life Committee.

GABRIEL KURIA | CEO - *ICEA General Insurance Uganda*

Gabriel holds a Bachelors of Arts Degree in Economics and Public Administration from Punjab University, India and a Master's (First Class Honours) in International Relations and Public Administration from Pondicherry University, India. He is an Associate of the Chartered Insurance Institute of London and an alumni of the Strathmore Business School having attended the Senior Management Leadership Program (SMLP Module). He also holds a Certificate in IT for Insurance Professionals (Distinction) from the British Computer Society/CII.

Gabriel began his nineteen-year career in the insurance sector at Occidental Insurance in Kenya as a Management Trainee in the Accounts department. He then moved on to set up the pioneer branch for REAL Insurance (now Britam General) in the Central Business District. Thereafter, he joined Kenya Orient Insurance as the Head of Marketing and Business Development before joining First Assurance as the Acting Principal Officer and Head of Business Development. In June 2017, he joined ICEA General Insurance as the team leader. Gabriel has acquired substantial insurance experience in claims management, underwriting with a special passion for business and product development.

At the industry level, he is an active member of the Uganda Insurers Association and serves as the Chair of the Association's Legal Affairs Committee.

EMMANUEL MWAKA | CEO - ICEA Life Assurance Company Uganda Limited

Emmanuel holds an Advanced Diploma in Accounting and Business from the ACCA and a Bachelor of Arts Degree in Development Economics from Makerere University. He is a member of the Association of Chartered Certified Accountants (ACCA U.K.), Institute of Certified Public Accountants Uganda (ICPAU) and the Insurance Institute of Uganda (IIU).

Emmanuel has over ten years experience in the finance, audit and insurance sector having steadily risen through the ranks at the organisations he worked for in the past. He joined ICEA Life Assurance Company Limited in 2013. His previous employers included AH Consulting where he cut his teeth in development economics consulting, USAID where he honed his skills in grants management and Ernst & Young where he specialised in life assurance and pension sector business audits.

Emmanuel's relentless pursuit of knowledge has seen him attend a number of professional and technical trainings in Life Assurance offered by leading reinsurance companies and professional firms. He has amassed a wealth of experience and knowledge in life insurance risk assessment and management, investments, financial planning, system deployment and reinsurance management, amongst others.

ANNE NJUGI | COO - ICEA Life Assurance Company Uganda Limited

Anne holds a Bachelor of Science Degree in International Business Administration (Finance) from United States International University Africa (USIU-A) and a Master of Business Administration (Finance) from the University of Nairobi. She is a Certified Trustee (TDPK) and a Certified Public Accountant, Kenya (CPA-K) as well as a member of the Institute of Certified Public Accountants (ICPAK).

Anne started out her 20-year career in insurance at AON Kenya as an Accounts Assistant and rose through the various ranks to become the General Manager – Life & Pensions Division. During her time in the senior management team at AON, she honed her skills in strategy, finance, people development and operations within the finance, pension administration and life assurance departments. She developed and implemented financial and operating systems, and was involved in the formulation and implementation of operational policies as well as standard operating procedures.

She is an expert in establishing accounting functions, budgeting and forecasting, financial reporting, management accounting, cost reduction, tax strategies, and creating lasting business relationships to ensure goal-surpassing fiscal performance.

On the industry level, Anne is the past immediate Vice Chair of Kenya's Association of Retirement Benefit Schemes.

02

WHERE & HOW WE OPERATE

OPERATING CONTEXT

THE KENYAN ECONOMY

Global Economic Activity

3.7% in 2017

3.0% in 2018

This is on account of elevated account deficits by Emerging markets and developing economies coupled with decelerating export growth.

91- day Treasury bill

8% in 2017

7.3% in 2018

182- day Treasury bill

10.6% in 2017

9.0% in 2018

364- day Treasury bill

11.1% in 2017

10% in 2018

The Kenyan Economy

4.7% in 2017

6.3% in 2018

Growth Contributors

Services 52.5%

Agriculture 23.7%

Industry 23.8%

On the demand side, private consumption was the key driver of growth.

12 Month Inflation

4.5% in 2017

5.7% in 2018

Overall 12- month inflation increased largely on account of increase in transport fares and prices of select food items owing to higher demand.

The Monetary Policy Committee (MPC) retained the Central Bank Rate (CBR) at 9.0% at its meeting in November 2018 on the backdrop of stability in the macroeconomic environment as well as inflation and the foreign exchange market.

Kshs. Against USD

KSh102.48/ USD in 2017

KSh101.85/USD in 2018

The foreign exchange market remained relatively steady in 2018, which was largely supported by resilient inflows from diaspora remittances and receipts from tourism, tea and horticulture exports.

This also largely supported by the sufficient foreign exchange reserves held by CBK supported by sufficient amount foreign exchange reserves.

Interest & CBR Rate

10% in 2017

9% in 2018

The interest rates on government securities were largely stable in the fourth quarter of 2018, an indication that the implementation of government domestic borrowing programme supported market stability. Though they were lower than the previous year on account of reduction of the CBR rate.

KENYAN INSURANCE INDUSTRY

37 Insurance Companies

15 Pure Life Businesses and Composite (transacting Life & Non-Life) and 11 Pure General Business

Premium Growth

Overall:
Slowed down during the year to 6% compared to an annual growth of 10% in 2017.

Long-term Business (including retirement contributions):
- Kshs 62.8 billion (*60.5 billion in 2017*)
- Growth of 3.9% (*16% in 2017*)

Contribution to Industry Premiums

Kenya:
Life Business (40% compared to 37% in 2017)
General Business (62% compared to 63% in 2017)

Globally:
Life Premiums 54.3% (*increase of 3%*)
General Business of 45.7% (*increase of 1.6%*)

Life Assurance Penetration

Above 1.0% over the last 5 years

Major Trend Drivers

- Demographic shifts
- Competitor activity

Macroeconomic conditions for existing players as new entrants seek to compete based on pricing

Where Growth Came From

Pensions, ordinary life, annuity and group life classes

Decline in Group credit life business due to low lending and premium undercutting

Challenges & Opportunities

- Mergers, acquisitions
- New entrant
- Risk Based Capital regulation
- Slow growth
- Low penetration rates
- Increased fraudulent claims

Source : Q3 Insurance Regulatory Authority Industry Statistics.

REGULATORY FRAMEWORK SPECIFIC TO INDUSTRY

The implementation of the risk based supervision remains the largest challenge for the insurance industry particularly for small players. Though the insurance Act has provided for the extension of Risk Based Capital Requirements at 200% from 30 June 2018 to 30 June 2020 a number of insurance players may not be able to comply going by current statistics where the average capital adequacy ratio is below 150%.

The application of the 20% insurance risk margins for valuation of Life Assurance liabilities in 2018 has negatively affected profitability of most players in the Industry. The Insurance Regulatory Authority in consultation with the Actuarial Society of Kenya have commenced the regulatory process of lowering these insurance margins to 10% as brought out by the Impact Assessment Survey carried out during the year.

Growth in long term business was supported by growth in pensions, ordinary life, annuity and group life classes. Group credit life business declined mainly due to lending and premium undercutting.
The major trends in the insurance sector continue to be driven by demographic shifts, competitor activity and macroeconomic conditions for existing players as new entrants seek to compete based on pricing.

CHALLENGES & OPPORTUNITIES

The insurance industry has continued to be faced by various challenges and opportunities which include mergers, acquisitions and new entrants, Risk Based Capital regulation, slow growth, low penetration rates and increased fraudulent claims.

THE UGANDAN ECONOMY

The Ugandan Economy

6.8% in Q3 2018

4.8% in Q4 2018

The Uganda Economy is estimated to have expanded on the backdrop of growth in industry and services sectors.

12 Month Inflation

3.3% in 2017

2.2% in 2018

Inflationary pressures were muted as a result of lower prices of fruits and charcoal

Interest rates surged in Q4 in response to the increase in the CBR from 9% to 10%

91- day Treasury bill

8.1% in 2017

10.4% in 2018

182- day Treasury bill

8.2% in 2017

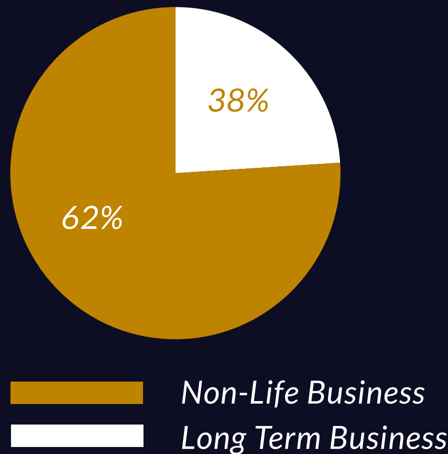
11.7% in 2018

364- day Treasury bill

13.3% in 2017

9% in 2018

Total Insurance Premiums



UGANDA'S INSURANCE INDUSTRY

Insurance Industry Growth

28.21% in 2018

Non-Life Business

28.25% in 2018

Long Term Business

28.14% in 2018

Source: Bank of Uganda & IRA Q3 Industry Statistics

STAKEHOLDER CONTEXT

ICEA LION is committed to delivering on its mission 'To Protect and Create Wealth' for all its stakeholders. This is articulated in ICEA LION's Stakeholder Management Plan that provides guidelines as to how we govern communications, engagement and release of material information about the Company to ICEA LION Group's stakeholders across our network in Kenya, Uganda and Tanzania.

Significantly, ICEA LION Stakeholder Management Plan is also aligned to the Group Strategic Plan (2018-2022). Based on the strategic initiatives outlined in the Group Strategic Plan, the stakeholders are identified and appropriate engagement strategies outlined. In development of these engagement strategies, the plan bears in mind the processes required to identify the people, groups and organisations that could affect or be affected by our business activities.

In this new planning period, ICEA LION commits to ensuring shared value is delivered for all our stakeholders. As a result, we are able to analyse stakeholder expectations and their impact on our business. Further, we are able to develop appropriate strategies and tactics for effectively engaging them in a manner appropriate to their interest and involvement in our business.

Our Stakeholders

ICEA LION's Stakeholder Management Plan is founded on the following principles:

1 Identification of Stakeholders:

Identify by name and title the people, groups, and organisations that have significant influence on ICEA LION and its success or who are significantly impacted by ICEA LION's operations

2 Plan Stakeholder Management:

Identify the strategies and mechanisms that will be used to achieve the greatest support of stakeholders and minimise resistance

3 Manage Stakeholder Engagement:

Outlines the processes and steps that will be undertaken to carry out the planned strategies

4 Control Stakeholder Engagement:

Describes the methods that will be used to monitor stakeholder engagement and alert the project team if problems are surfacing

The key objectives of our Stakeholder Management Plan are to:

01 Ensure material information is disclosed in a timely, consistent, and appropriate manner.

02 Provide guidelines for the broad dissemination of material information pursuant to all applicable legal requirements.

03 Prevent the improper use or premature disclosure of confidential material information.

04 Provide direction for all ICEA LION Group personnel in the appropriate treatment of material, confidential, general, and routine Company information.

It is our commitment and obligation to ensure that all information material to our business and affairs of our Company is disclosed to the public in an appropriate manner. Our policy assists us to not only satisfy our objectives, but also assign responsibility for the implementation and oversight of these policies and procedures.

OUR STAKEHOLDER ENGAGEMENT APPROACH

Given the increasing and ever-changing dynamics of our financial services industry, engaging stakeholders throughout the life of our engagement has never been as paramount for us at ICEA LION. It is indeed our ambition to get as intimate with our stakeholders so as to allow us engage effectively, efficiently and crucially embracing the shared value approach that ensures our organisation's sustainability. Below we illustrate our key stakeholder's material interests and our response to their issues.

Stakeholder Group	Their Expectations (Material Issues)	Our Response
Customers	• Provision of insurance, asset management, scheme administration and trusteeship solutions that provide financial protection and create wealth by delivering superior returns on their investment with us • Access to key decision makers of the organisation • Transparency in our mutual interactions • Simple and understandable communication from the technical elements of our organisation • Good corporate citizenship • Data protection • Consumer education • Compliance with laws and regulations	• Live up to our core values and see through the eyes of the Customer in all our interactions with them • Pursue a responsive, reliable and empathetic approach to interactions • Utilise feedback mechanisms such as surveys • Get intimate with our Customers by embracing relevant and impactful engagements, ranging from one-on-one interactions to technological platforms, so that they may understand their journey • Become insight-driven to ensure we deliver solutions that meet our client's diverse and dynamic needs • Issue real-time responses by embracing relevant technological platforms • Share up-to-date and real-time information on our policies • Disclose financial performance and other indicators on public platforms • Deliver on our promises and champion integrity • Be transparent in all our interactions • Share simple and understandable communication from the technical elements of our organisation • Engage in order to enlighten our Customers on products and services • Embrace data protection best practice
Regulators	• Compliance with laws and regulations • Contribution to economic wealth via tax, job creation and skills development • Contribution to development of the industry	• Expose to internal and external audits • Comply with laws and regulations • Disclose financial performance and other indicators on public platforms • Participation in development of the industry to improve • Meet our obligations in a timely manner • Champion integrity • Embrace data protection best practice

Stakeholder Group	Their Expectations (Material Issues)	Our Response
Employees	• Timely remittance of salaries and obligatory commitments • Fair and transparent rewards • Safe and engaging environments in which to work • Personal and professional development • Job satisfaction and recognition • Compliance with laws and regulations	• Live up to our core values and ensure that our people remain important to us inculcate the culture that delivers the right brand ambassadors who deliver on strategy • Provide career development through learning and development initiatives including e-learning platforms and support and reward of professional development initiatives • Assign coaches and mentors • Disseminate staff engagement surveys • Carry out regular job evaluation and salary benchmarking • Create wealth through competitive remuneration and recognition initiatives • Provide a robust organisational health and safety strategy • Disclose financial perfomance and other indicators on public platforms
Intermediaries	• Provision of insurance solutions that increase capacity and protection to enable intermediaries to deliver solutions for their Clients to manage their risks, realise their objectives and potential as well as safeguard their wealth • Access to key decision makers of the organisation • Transparency in our mutual interactions • Simple and understandable communication from the technical elements of our organisation • Good corporate citizenship • Data protection • Consumer education • Compliance with laws and regulations	• Pursue a responsive, reliable and empathetic approach to interactions • Utilise feedback mechanisms such as surveys • Get intimate with our Customers by embracing relevant and impactful engagements, ranging from one-on-one interactions to technological platforms, so that they may understand their journey • Become insight-driven to ensure we deliver solutions that meet our client's diverse and dynamic needs • Issue real-time responses by embracing relevant technological platforms • Share up-to-date and real-time information on our policies • Disclose financial performance and other indicators on public platforms • Deliver on our promises and champion integrity • Be transparent in all our interactions • Share simple and understandable communication from the technical elements of our organisation • Engage in order to enlighten our Intermediaries on products and services • Embrace data protection best practice
Shareholders	• Compliance with laws and regulations • Promotion of sustainable growth in shareholder value through effective strategies • Practice of responsible corporate governance	• Comply with laws and regulations • Disclose all information at all engagements • Provide effective and executive leadership • Practise sound corporate governance • Develop and deliver effective strategies that sustainably • provide strong returns • Deliver on our promises and champion integrity • Embrace data protection best practice

Stakeholder Group	Their Expectations (Material Issues)	Our Response
Industry partners	• Sharing of knowledge and opportunities for joint progress • Embracing of best practice models • Compliance with laws and regulations • Observance of fair practice • Data protection • Consumer education	• Comply with laws and regulations • Champion the development of the industry • Disclose internal and external audit documents and financial performance indicators on public platforms • Participate in the development of the industry • Meet our obligations in a timely manner • Uphold integrity • Embrace data protection best practice
Environment	• Practice of responsible consumption • Reduction of carbon footprint • Observance of fair practice • Compliance with Energy Regulatory Commission • Guidelines and other laws and regulations	• Measure, monitor and lower our carbon footprint • Promote best practice with regard to energy conservation such as the Greenhouse Gas (GHG) Protocol • Embrace shared economy by using Corporate Uber • Comply with the Energy Regulatory Commission • Guidelines and other best practice models
Media	• Access to key decision makers of the organisation • Transparency in our mutual interactions • Simple and understandable communication from the technical elements of our organisation • Good corporate citizenship • Data protection • Consumer education • Compliance with laws and regulations	• Make key representatives from our organisation accessible • Disclose financial performance and other indicators on public platforms • Be transparent in all our interactions • Share simple and understandable communication from the technical elements of our organisation • Engage regularly to enlighten the media on technical and industry related matters • Uphold integrity • Embrace data protection best practice
Suppliers	• Practice of fair tendering and engagement • Business partnership and reciprocity • Compliance with laws and regulations	• Implement the Anti-Bribery Policy • Engage the Procurement Committee for projects over a specified amount • Pursue the shared value approach • Embrace data protection best practice • Deliver on our promises and champion integrity
Bankers	• Transparency in all our interactions including full disclosure • Adherence to legal and industry regulations such as Anti Money Laundering and other laws and regulations • Business partnership and reciprocity	• Be transparent in all our interactions • Comply with laws and regulations • Disclose all information regarding our financial performance and other indicators on public platforms • Disclose internal and external audit documents • Participate in the development of the industry • Meet our obligations in a timely manner • Deliver on our promises and champion integrity • Embrace data protection best practice

Stakeholder Group	Their Expectations (Material Issues)	Our Response
Public	• Solutions that meet their needs • Good corporate citizenship • Practice of sustainable business • Transparency in our mutual interactions • Simple and understandable communication from the technical elements of our organisation • Data protection • Consumer education • Compliance with laws and regulations	• Disclose financial performance and other indicators on public platforms • Be transparent in all our interactions • Share simple and understandable communication from the technical elements of our organisation • Engage regularly to enlighten the public on technical and industry related matters • Deliver on our promises and champion integrity • Engage in order to enlighten our Customers on products and services • Embrace data protection best practice
Business Competitors	• Fair business practice • Adherence to legal and industry regulations such as Anti- • Money Laundering and other laws and regulations • Business partnership and reciprocity	• Disclose financial performance and other indicators on public platforms • Be transparent in all our interactions • Disclose internal and external audit documents • Comply with laws and regulations • Participate in the development of the industry in order to improve • Deliver on our promises and champion integrity • Embrace data protection best practice
*Others	• Good corporate citizenship • Practice of sustainable business • Transparency in our mutual interactions • Simple and understandable communication from the technical elements of our organisation • Fair practice • Compliance with laws and regulations	• Disclose financial performance and other indicators on public platforms • Be transparent in all our interactions • Disclose internal and external audit documents • Comply with laws and regulations • Engage regularly to enlighten the media on technical and Industry related matters • Participate in the development of the industry in order to improve • Deliver on our promises and champion integrity • Embrace data protection best practice

* Others include advocacy groups, unions, activists, environmentalists, local government agencies and other wider relationships with employees that include their families and networks.

OUR BUSINESS MODEL

LIFE ASSURANCE

Invest customer savings to provide financial protection and create wealth

ASSET MANAGEMENT

Generate valuable returns for our customers through good investment performance

TRUSTEESHIP

Maintain custody of assets for beneficiaries in order to preserve and distribute their wealth as intended

SCHEME ADMINISTRATION

Record keepers of members benefits including data maintenance and benefit calculations.

Communicators of benefit options to members and preparation of scheme accounts

Towards Shared Value People | Planet | Profit 6 Capitals Model	Digitally-Led	Sustainability At the core of all our interactions

STATEMENT BY THE GENERAL MANAGER - STRATEGY & INNOVATION

Below is a summary of our 2018 strategy depicting what we had planned to accomplish against the actual results.

PILLAR	STRATEGY	ACHIEVEMENT
CAPTURING GROWTH MARKETS	The Company plans is to grow the retail segments for all business units by achieving TLA sales force effectiveness and Sales workforce process digitisation	The Company ; • Developed a framework for the career agent categorisation which is undergoing final review before implementation. • Launched Phase I of the Mobile App for the sales workforce
SETTING UP A GROWTH AND INNOVATION CENTRE	The Group had planned to set up a GIC Centre that would enable it transform into an innovative, customer-centric and insight-driven organisation.	The GIC Centre was set up and appropriate resources hired to enable the running of the GIC in 2018; actual roll out of the strategy will be in 2019.
DEVELOPING CUSTOMER CONNECTIVITY	The Group is positioning itself as the industry leader in customer experience by focusing on developing a personalised experience for its customers through enhanced digital capabilities.	The Group has developed a Customer Relationship Management (CRM) System, a Mobile APP and has a Multi-Channel Contact Centre all aimed at ensuring better connectivity with the customer.
WINNING WITH THE PARTNER AND CHANNEL ECOSYSTEM	The Group plans to regain power in the value chain through end-customer pull and partner value propositions as well as increasing relevance to end-customers through digital channels.	The Company has developed systems to directly integrate with key partners such as medical service providers. The sales agency force has been further empowered through Mobile Apps.
BECOMING AN INSIGHT DRIVEN Organisation	The Group strategy is to establish analytics as a winning core capability. This will be done through creation of insights to drive the business as well as improve the customer experience.	The Group has set up the GIC that will house and devolve the analytics culture to the entire business.
HARVESTING GROUP SYNERGIES	The Group strategy is to establish ownership and an operating model to capture untapped value from group synergies.	The Group Synergies Committee was set up to focus on identifying and exploiting opportunities to create value for the Group and all its stakeholders; during the year a total of Kshs 1.6 billion worth of revenues was generated through group synergy.
GAINING PROFITABILITY FROM OPERATIONAL EFFICIENCY	The Company had planned to streamline its processes to make them seamless and efficient in order to minimise operating costs and better secure our customers.	The Company has finalized an in-depth process review and is currently working on the digitisation of self - service portals as well as integration with network data interchange. The Company has also finalised system integration with medical service providers as noted above.

"Our focus on data and analytics will give us great insights that will enhance our customer connectivity."

NAOMI MUNYI

03

OUR GOVERNANCE FRAMEWORK

CHAIRMAN'S GOVERNANCE STATEMENT

On behalf of the ICEA LION Life Assurance Board, it is my pleasure to share with you this comprehensive 2018 Corporate Governance Report.

We are committed to achieving the highest standards possible, in terms of accountability, integrity, fairness, responsibility and transparency. In pursuit of this objective, we have put in place formal structures to support corporate governance. These structures are regularly reviewed in order to strengthen and improve them.

In this report, I highlight key features of the current corporate governance practices.

BOARD OF DIRECTORS

Our Company's Board is responsible for the development of corporate governance practice and ensuring compliance by all the Company's organs. We deliver this through Board Committees and by having in place business principles and practices as well as internal control and risk management processes that seek to ensure preservation and growth of stakeholder value.

BOARD CHARTER & WORK PLAN

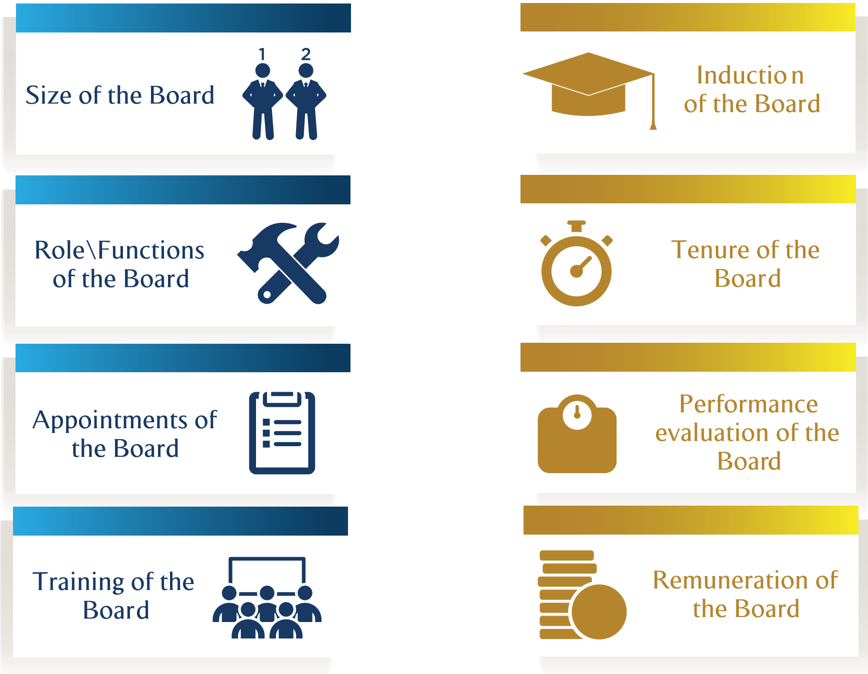
Our Board Charter contains provisions that ensure that we, as the Board, observe best practice in corporate governance.

Our work plan has a formal schedule of matters specifically reserved for the Board's attention to ensure we exercise full control over all significant matters. It sets out the schedule of meetings for the Board and its committees and the main business to be dealt with during those meetings. Special meetings are arranged as necessary.

"Our corporate governance processes have been benchmarked to global best practices."

JAMES NDEGWA | Board Chairman

Board Charter Components



BOARD COMPOSITION & APPOINTMENTS

Our current Board of Directors consists of the Chief Executive Officer, and ten non-executive directors including myself as Chairman. Our Directors have a good mix of skills, experience and competencies in relevant fields of expertise. Further, these Directors meet the "fit and proper persons' criteria" in compliance with the "Guidelines of Suitability of Persons" as required by the Insurance Regulatory Authority. Directors are appointed by the Nomination and Remuneration Committee of the Board.

Diversity

Our Board recognises the benefits of a diverse skills base across the Company and is supportive of initiatives that promote diversity at all levels. Despite making some strides in this regard, we as a Company still seek to increase female representation at Board level. This continues to be a target we are eager to achieve in the near future. That said, we have made progress with regards to lowering the age of our Board members by introducing the young board members.

AUGMENTING OUR BOARD & LEADERSHIP TEAMS

In 2018, through a careful and thorough selection process we, appointed to our Board new directors with experience in various fields of financial services, and emerging markets and technology. These new members bring a varied range of skills and experience to the Group and add diversity in age, skill and gender.

BOARD MEETINGS AND INFORMATION FOR DIRECTORS

In 2018, our Board met four times on pre-set dates, to review and monitor the implementation of strategic initiatives and business plans, review quarterly financial results, approve financial reports and maintain effective control over strategic, financial, operational and compliance issues. In carrying out the above responsibilities, our Board delegates its authority to the Chief Executive Officer to oversee the day to day operations of the Company.

The notice of Board meetings is given in advance in accordance with the Company's Articles of Association and is distributed together with the agenda and board papers to all the directors beforehand, covering regular business progress reports and discussion papers on specific matters. The Company Secretary is always available to attend to matters pertaining to the Board of Directors and Board Committees.

All reports from the Insurance Regulatory Authority, KRA, auditors, actuaries and rating agencies are reviewed at Board meetings and appropriate action taken.

Board Evaluation

Regulations calling for board evaluation represent the minimum requirements, and this carried out by an external consultant, coordinated by the Chairman and Company Secretary, and goes beyond a check-box compliance exercise.

Our evaluation contributes significantly to performance improvements on four levels that is: at the Organisational, Board, Individual Board Member and Stakeholder levels. The Board evaluations have been carried out for the past three consecutive years with significant improvements made to this end.

Governance Audit

As part of our continuous improvement and benchmarking of our governance processes, ICEA LION has undergone governance audits carried out by the Institute of Certified Secretaries (ICS-Kenya) in 2015 through to 2018 and has won various awards over the years.

ROLE OF THE CHAIRMAN & THE CHIEF EXECUTIVE OFFICER

The Board is committed to a clear division of responsibilities between the Chairman and the CEO. The Chairman is responsible for managing the Board and providing strategic leadership to the Company. The CEO directs the implementation of Board decisions and instructions. Our CEO steers our organisation to realise its strategic objectives in conjunction with the senior leadership team.

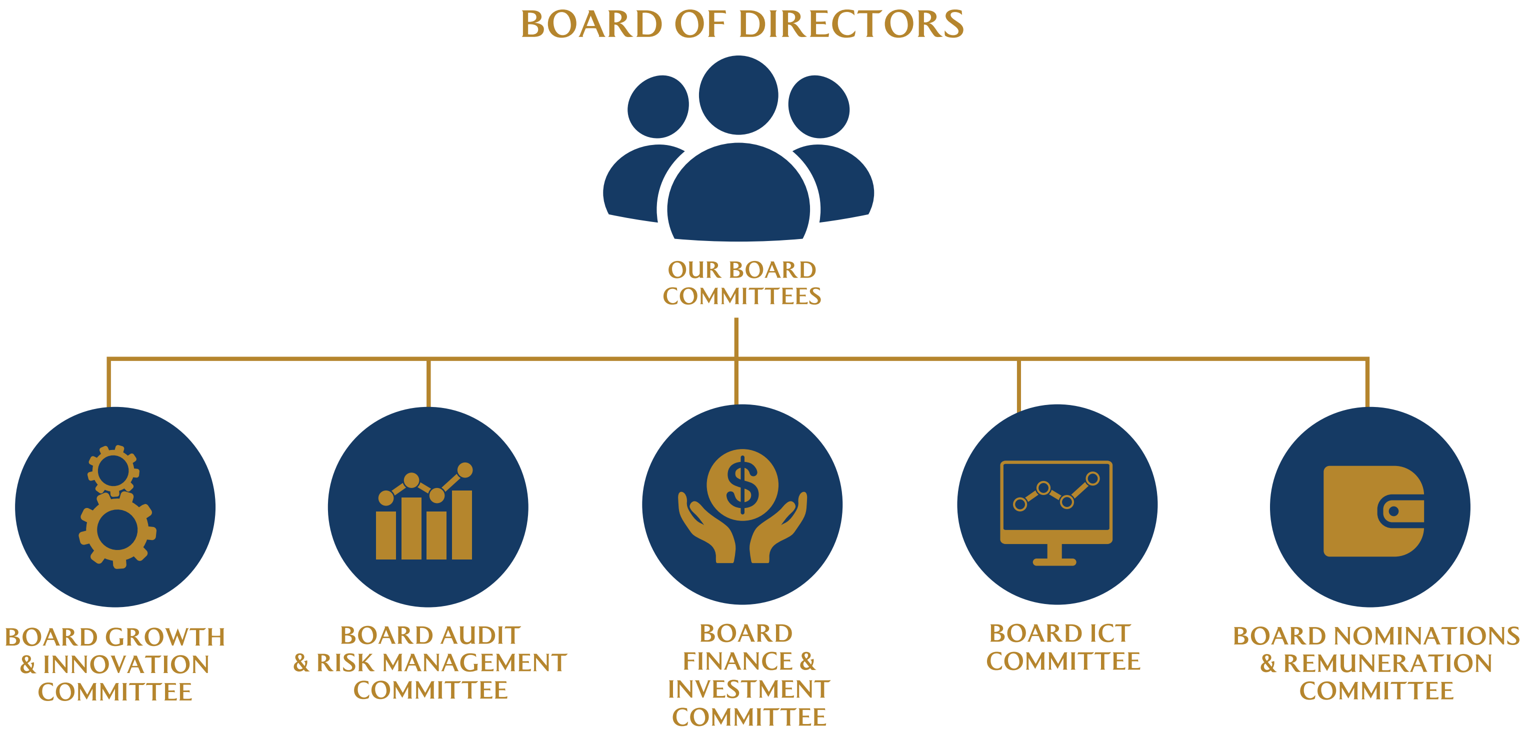
OUR BOARD COMMITTEES

Our Board has constituted several committees to assist us to discharge our responsibilities and obligations more effectively. The committees consist of at least two non-executive directors as well as members of the executive management of ICEA LION who attend by invitation. They report on their activities quarterly to the Board.

(a) Board Audit and Risk Management Committee

The committee is chaired by a non-executive director. There are five other directors, two of whom are independent, who sit on this committee. The CEO, General Manager (Strategy & Innovation), General Manager (Business Development & Technical Services), Chief Financial Officer, Manager (Internal Audit) and the Manager (Risk and Compliance) attend by invitation.

The committee met four times in 2018 and is responsible for ensuring that the systems and controls, procedures and policies of the Company as well as risk management activities are properly established, monitored and reported on.



The committee meets to review external auditors' plans and reports, internal audit reports and any proposals or reports that affect ICEA LION's internal control environment. Matters relating to ethics and policy holders protection are dealt with by this committee.

The Audit, Risk and Compliance Committee is also responsible for monitoring and providing effective supervision of the management's financial reporting process to ensure accurate and timely financial reporting. Additionally, the committee is responsible for ensuring entrenchment of good corporate governance practices at ICEA LION.

(b) Board Finance & Investments Committee

This committee is chaired by a non-executive director. Two other directors, one of whom is independent, also sit on this committee. The CEO, the General Manager (Strategy & Innovation) and the CEO of ICEA LION Asset Management Limited attend by invitation.

The committee met four times in the year to review the financial and investment strategies, approve or recommend to the Board for approval investment projects in accordance with the Company's investment policy, and review the performance of the investment portfolio and monitor special projects.

(c) Board ICT Committee

This committee is chaired by a non-executive director. Four other directors, two of whom are independent sit in this committee. The First Chartered Securities Group Information Systems Manager, the CEO, the Assistant General Manager (ICT), the General Manager (Strategy & Innovation) and Manager (Risk and Compliance) attend by invitation. This committee met four times in 2018 to review the ICT Strategy including the ICT Security and Business Continuity Plans (BCP), recommend ICT projects for Board approval, review recommendations on the annual budgets and monitor project implementation.

(d) Board Nominations & Remuneration Committee

This committee is chaired by a non-executive director, one other independent director sits in this committee. The committee meets at least twice a year or more frequently as required. This committee is responsible for making recommendations to the Board on executive remuneration and incentive policies, recruitment, retention and termination policies for senior management, remuneration framework for Directors, amongst others. The committee is also responsible for development of a process to evaluate our Board's performance, its committees and Directors as well as succession planning.

(e) Board Growth & Innovation Committee

This is the newest Board committee established in 2018. This committee is the Board's oversight and liaison committee on formulation and implementation of our innovation agenda and related matters. Its roles includes vetting the Company's innovation strategy and investments in innovation development prior to submission to the Board for approval. It also monitors compliance with the approved innovation strategy, including innovation portfolio mix and the progress made in its implementation.

The composition of our Main Board and Board Committees as well as the attendance of meetings is illustrated overleaf.

BOARD & BOARD COMMITTEE MEETING ATTENDANCE

Board of Directors					
		20.03.2018	22.06.2018	21.09.2018	23.11.2018
J P M Ndegwa	Chairman	√	√	√	√
J M Mutiga	Chief Executive Officer	√	√	√	√
A S M Ndegwa	Director	√	√	√	×
P W Kamau	Director	√	√	√	√
D G M Hutchison	Director	√	√	√	√
S O Oluoch	Director	√	√	×	√
P K Mugambi	Alternate to A S M Ndegwa	√	√	√	√
R M Ndegwa	Alternate to D N Ndegwa	√	√	√	√
K Thuo**	Director	N/A	N/A	√	√
C J M Mwangi**	Director	N/A	N/A	√	√
M Abdullahi**	Director	N/A	N/A	√	√
M Manga**	Director	N/A	N/A	√	√

** Appointed on 12th September 2018

Board Audit, Risk & Compliance Committee					
		08.03.2018	18.06.2018	17.09.2018	19.11.2018
P W Kamau	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
D G M Hutchison	Member	√	√	√	√
J K Kimeu	Member	√	√	√	√
R M Ndegwa	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
C J M Mwangi**	Member	N/A	N/A	N/A	√
J M Mutiga	Chief Executive Officer	√	√	√	√

* Appointed on 21st September 2018

Board ICT Committee					
Date		19.02.2018	19.06.2018	18.09.2018	13.12.2018
D G M Hutchison	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
M Abdullahi**	Member	N/A	N/A	N/A	√
J M Mutiga	Chief Executive Officer	√	√	√	√

**Appointed on 21st September 2018

Board Finance & Investment Committee					
Date		19.02.2018	19.06.2018	18.09.2018	20.11.2018
A S M Ndegwa	Chairman	√	√	√	√
P K Mugambi	Member	√	√	√	√
Manga Mugwe**	Member	N/A	N/A	N/A	√
J M Mutiga	Chief Executive Officer	√	√	√	√

**Appointed on 21st September 2018

Board Nomination & Remuneration Committee			
Date		19.03.2018	11.12.2018
J P M Ndegwa	Chairman	√	√
A S M Ndegwa	Member	√	√
C J M Mwangi**	Member	N/A	N/A
J M Mutiga	Chief Executive Officer	√	√

√ ATTENDED

× NOT ATTENDED

**Dr C J M Mwangi was formally appointed to the Nomination & Remuneration Committee on 19th March 2019.

Attendance at Full and Board Committee meetings was commendable

PRINCIPAL OFFICER & SENIOR MANAGEMENT

In our commitment to strengthen efficiency and executional capability, we have in place a strong management team. The calibre of our senior leadership team has ensured that risks and governance have been well managed throughout the year with a clear commitment to not only doing things in the right way but also doing the right things.

Our team has the requisite qualifications and experience in their respective fields. We also meet the “fit and proper persons’ criteria” in compliance with the “Guidelines of Suitability of Persons” as required by the Insurance Regulatory Authority.

Directors have been inducted on how the Group manages and governs itself, how we make decisions, what we stand for and the standards of governance we wish to retain.

INTERNAL CONTROL & RISK MANAGEMENT SYSTEMS

Our Company is exposed to a variety of risks which can have a negative impact on our stakeholders. We have put in place a strong integrated risk management process in our daily business activities as well as solid corporate governance structures that promote effective identification, monitoring and management of risk. These structures include well developed and documented internal procedures, clearly defined reporting lines and well-structured regular training programmes for staff. The latter are intended to enable staff to attain a clear appreciation of the nature of business risk; the likely consequences of not giving adequate attention to, or failure to properly manage risk; and of the universally accepted and internally prescribed techniques of effectively managing risk.

Our Company has established a fully-fledged risk management and compliance function headed by a senior officer. This position is the focal point of in-house risk management compliance monitoring, authentication and related activities. This function has coordinated the setup of the risk appetite by the Board of Directors which has been cascaded to the senior management team. Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business.

We also have in place an independent internal audit function headed by a senior officer. This function reviews the adequacy and effectiveness of ICEA LION’s adherence to its internal controls as well as reporting on strategies, policies and procedures. Our internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against material financial misstatements or loss.

These systems are designed to:

The Board satisfies itself that the internal control framework is operating effectively through:

1. Having terms of reference for the Board and each of its committees
2. A clear organizational structure with documented delegation of authority
3. Defined procedures for the approval of major transactions
4. Establishment and monitoring of the Internal Control framework by the management
5. Review of the internal and external audit reports.

COMPLIANCE & ANTI-MONEY LAUNDERING PROGRAM

The sustained success of our Company is based on trust, respect and the responsible, integrity-enriched behaviour of all our employees. With our compliance and anti-money laundering programme, ICEA LION follows local and international guidelines and standards for rule-compliant and value-based corporate leadership.

These guidelines include the:

- Corporate Governance Code for Private Sector Organisations;
- Anti-Money Laundering Guidelines by the Insurance Regulatory Authority (IRA);
- U.K. Corporate Governance Code; Organisation for Economic Co-operation and Development (OECD) Principles on Corporate Governance;
- King IV Report; and
- Financial Action Task Force (FATF) among others.

By recognising and supporting these local and international principles, we manage the risk of violating legal and regulatory provisions and requirements (compliance risks). This also means that our customers benefit from the fact that sustainability and social responsibility are integrated into corporate behaviour.

The Company has been careful to ensure that we adhere to and continuously improve our standard of corporate governance. In light of this, we will continuously work toward full compliance to the King IV Governance code.

The standards for conduct established by the ICEA LION's Code of Business Conduct and Ethics serve to implement these guidelines and principles which are obligatory for all employees. The Code of Conduct and other internal guidelines adopted on its basis provide all employees with clear guidance on conduct that is in accordance with the values of the Company.

They provide employees with practical guidelines for making their own decisions and avoiding potential conflicts of interest. These guidelines also help employees recognise when they are approaching a critical limit, such as the acceptance of gifts or invitations from business partners.

The Code of Business Conduct and Ethics also forms the basis for guidelines and controls to ensure fair dealings with our customers. In cases of doubt, the compliance department provides advice.

The tasks of the compliance team include advising the business units on laws, provisions and other regulations, the creation, implementation and monitoring of compliance with internal guidelines and standards as well as regular training of employees on applicable rules. A major component of the compliance programme is an independently managed whistle-blower system that allows employees to alert the compliance and audit departments confidentially about irregularities.

Employees who voice concerns about irregularities in good faith should not fear retribution in any form, even if the charge later turns out to be unfounded. To transmit the principles of the Code of Conduct and other compliance guidelines and controls effectively, we have developed interactive training programmes.

ACTUARIAL FUNCTION

ICEA LION has in place an in-house actuarial function. This function evaluates and provides advice to our management regarding at a minimum, technical provisions, premium and pricing activities, and compliance with related statutory and regulatory requirements. The Company has further contracted the "Appointed Actuary" who is a Fellow of The Actuarial Society of Kenya in compliance with the Actuarial Function guidelines released by the Insurance Regulatory Authority.

CONFLICT OF INTEREST

Our Directors are required to act in the best interest of ICEA LION at all times. It is our policy to ensure that Directors avoid putting themselves in positions whereby their interests' conflict with ICEA LION's interests. Any business transacted with the Directors or their companies must be at arm's length and fully disclosed. Our Board has adopted a policy which ensures that directors, management and staff disclose all possible conflict of interest sources and are required to exclude themselves in decisions where conflict of interest may arise.

DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 47(c) to the financial statements for the year ended 31 December 2018. (see page 208)

RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors or Management except those disclosed in Note 47a and 47c to the financial statements for the year ended 31 December 2018. (see page 207 & 208)

COMPLIANCE WITH THE LAW

Our Board is satisfied that ICEA LION has, to the best of its knowledge, put in place mechanisms to ensure compliance with all the applicable laws. To the knowledge of the Board, no director, employee or agent of the Company acted or committed any indictable offence in conducting the affairs of ICEA LION nor been involved or been used as a conduit for money laundering or any other activity incompatible with the relevant laws.

CONDUCT OF BUSINESS & PERFORMANCE REPORTING

ICEA LION's business is conducted in accordance with a carefully formulated strategy, annual business plans and budgets which set out very clear objectives. Roles and responsibilities have been clearly defined with approved authority being delegated. Performance against the objectives is reviewed and discussed on a regular basis by the management team. Management prepares a quarterly business review report which is presented to the Board and any issues arising are fully discussed. Performance trends, forecasts as well as actual performance against budget are closely monitored.

DISCLOSURE OF INFORMATION & RELATIONSHIP WITH THE INSURANCE REGULATORY AUTHORITY

ICEA LION shares information on its financial position and the risks to which it is subject to. This information gives a well-rounded view of our Company and includes financial position, performance, and corporate governance among others. This information is shared with the Insurance Regulatory Authority and other relevant stakeholders.

ACCOUNTABILITY, AUDIT & SHAREHOLDER RELATIONS

Our Board recognises its responsibility to present a balanced and understandable assessment of ICEA LION's financial position and prospects. Our financial statements are prepared in accordance with IFRS and the requirements of the Kenyan Companies Act 2015 and are audited in accordance with their International Auditing Standards. Our Directors recognise and have confirmed their responsibility over the financial statements and have provided other information in this integrated report that we consider useful to shareholders and other stakeholders.

STAKEHOLDER GROUPS

We take cognizance of the fact that we can only thrive if we balance the interests of our key stakeholders. The target operating model puts market management as well as customer value at centre stage with customer centricity and innovation programmes having been defined. In order to assure its progress, we measure our customers' satisfaction and brand value. Most critically, in the new planning period 2018 to 2022, we will continuously pursue shared value for all stakeholders.

Our Company cannot excel in customer experience excellence and market success without the support and commitment of its employees. As a result, we are strongly investing in our talent pool by providing opportunities for personal and institutional development.

Significantly, training is geared towards knowledge that will aid us to deliver on strategy especially in the coming age where skills-sets like data and analytics will be more critical. Employee engagement surveys are conducted annually and measure staff satisfaction as well as career development ambitions.

Our Corporate Social Investment Agenda came into sharper focus in 2016 with the adoption of lion conservation as the key investment and support area. Support at industry level is also provided in this regard. For more information about our lion conservation efforts, please refer to pages 102 to 109 on our Social and Relationship Capital.

RESPONSIBILITY FOR STAFF WELFARE & TRAINING

As part of our policy, we recognise the need for diversity, equal opportunities, gender sensitivity and provision of a safe and conducive work environment for our entire team. ICEA LION assists staff to undertake continuous professional development training programmes to fulfil their potential and career goals.

This process is appropriately managed to align staff development with the Company's strategic business goals and objectives, and is reinforced with appropriate remuneration and incentive systems.

INFORMATION COMMUNICATIONS & TECHNOLOGY

Information Communications & Technology (ICT) is a key strategic pillar and plays a crucial role in ensuring we remain a competitive financial services player. Effective ICT governance processes have been put in place with the oversight role being carried out by the Board ICT Committee. The ICT department remains committed to embedding an agile way of working throughout the whole Company as ICEA LION aims to respond swiftly and efficiently to changing customer dynamics and demands.

PROCUREMENT

We have in place a procurement process that is governed by documented policy and procedure manuals. A fully fledged procurement function as well as a procurement committee consisting of the relevant senior management teams is in place. Their key activities include prequalification and vetting of suppliers, tendering and procuring goods and services, among others.

All vendors are expected to comply with the Company's Anti-Bribery Policy, a copy of which is attached to all requests for proposals and contracts. All vendors are expected to sign-off as having read and understood the Anti Bribery Policy attached to their contracts as a means of articulating and communicating our stance towards bribery and corruption.

OUR SUSTAINABILITY PRACTICES

Long-term sustainability is a key pillar anchored to our internally adopted best-practice corporate governance practices. ICEA LION has been a signatory to the United Nations Environmental Programme Finance Initiative (UNEP FI) Principles of Sustainable Insurance (PSI) for the past three years. These principles provide a global roadmap to develop and expand innovative risk management and insurance solutions that promote social and environmental protection, inclusive insurance, renewable energy, food security, clean water, sustainable cities and disaster-resilient communities.

Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance and contribute to environmental, social and economic sustainability while creating shared value. Shared value policies and operating practices are meant to enhance the competitiveness of a company while simultaneously advancing economic and social conditions in the communities it operates.

The aim of the Principles is to lay a foundation upon which as a player, we can build a stronger relationship that puts sustainability at the heart of risk management in the pursuit of a more forward-looking and better managed world. Commitment to the Principles articulates to our stakeholders our stance towards responsible action as we consciously develop innovative risk solutions that solve current challenges. It positions ICEA LION as a market leader as we seek dominance towards shaping policies that positively influence the insurance market. We are active in this space and are the only African member to the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) at UNEP FI.

By signing onto these principles we commit to embedding in our decision-making: environmental, social and governance (ESG) issues relevant to our business. Further, we will continuously work with our clients, business partners and regulators to raise awareness on ESG issues as we develop appropriate solutions. In light of this, we have improved our disclosure processes by embracing integrated reporting for the second year running.

It is my pleasure in the spirit of disclosure in this integrated report, to introduce the statements from our Board Committee Chairmen.

BOARD FINANCE & INVESTMENT COMMITTEE STATEMENT

It is my pleasure to report to you on the activities of our Board Finance and Investment Committee for the year ended 31 December 2018.

The Committee is charged with the responsibility of:

- Reviewing investment policies and strategies
- Monitoring compliance with the approved investment strategy including investment mix and the progress made towards its implementation
- Monitoring the performance of the investment portfolio
- Recommending investment proposals to the Board for approval and overseeing investment projects
- Reviewing and recommending to the Board the Company's asset allocation policies and strategies including asset liability matching
- Engaging investment managers and consultants

"We are committed to safeguarding the Company's investment assets and delivering competitive returns for our stakeholders on a consistent, sustainable and ethical basis."

ANDREW NDEGWA

FINANCE & INVESTMENT COMMITTEE ACTIVITIES IN 2018

During the year the Committee:

- Considered the economic outlook and its implications for the Company's investment strategies
- Reviewed the proposed strategies on management of the investment portfolio
- Considered the Counter party risk model and proposals to add new Counter parties, and reviewed detailed analysis on various Counter parties before investing funds with them
- Reviewed the Asset and Liability Matching reports for the Company on a quarterly basis and considered the liquidity gaps as well as assets duration for the various investments
- Considered compliance of the investment portfolio and strategies to the regulatory framework as stipulated by the Insurance Regulatory Authority
- Reviewed the performance of the investment portfolio against various measures which include liquidity, interest rates, relative performance, market and tactical allocations
- Vetted the annual investments budgets
- Reviewed strategies to ensure high occupancy rates for the Companies investment properties
- Considered the property managers reports to ensure the properties are maintained in good condition
- Approved investments, divestiture, expenditure and related decisions within the limits granted by the Board

During the year the Group and Company's investment portfolio performed as follows:

Group Investment Assets

Company Investment Assets

Group Return on Investments

Company Return on Investments

It is the opinion of the Committee that these results were reflective of the challenging market conditions prevailing during the year, particularly in the performance of the Nairobi Securities Exchange and the real estate sector.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE STATEMENT

As Chair of the Audit and Risk Management Committee, I am pleased to present our report. The committee meets quarterly to review external auditors' plans and reports, internal audit reports and any proposals or reports that affect the Company's internal control environment. Matters relating to ethics and policy holders protection are dealt with by this committee. The Audit and Risk Management Committee is also responsible for monitoring and providing effective supervision of the management's financial reporting process to ensure accurate and timely financial reporting. Additionally, the committee is responsible for ensuring entrenchment of good corporate governance practices.

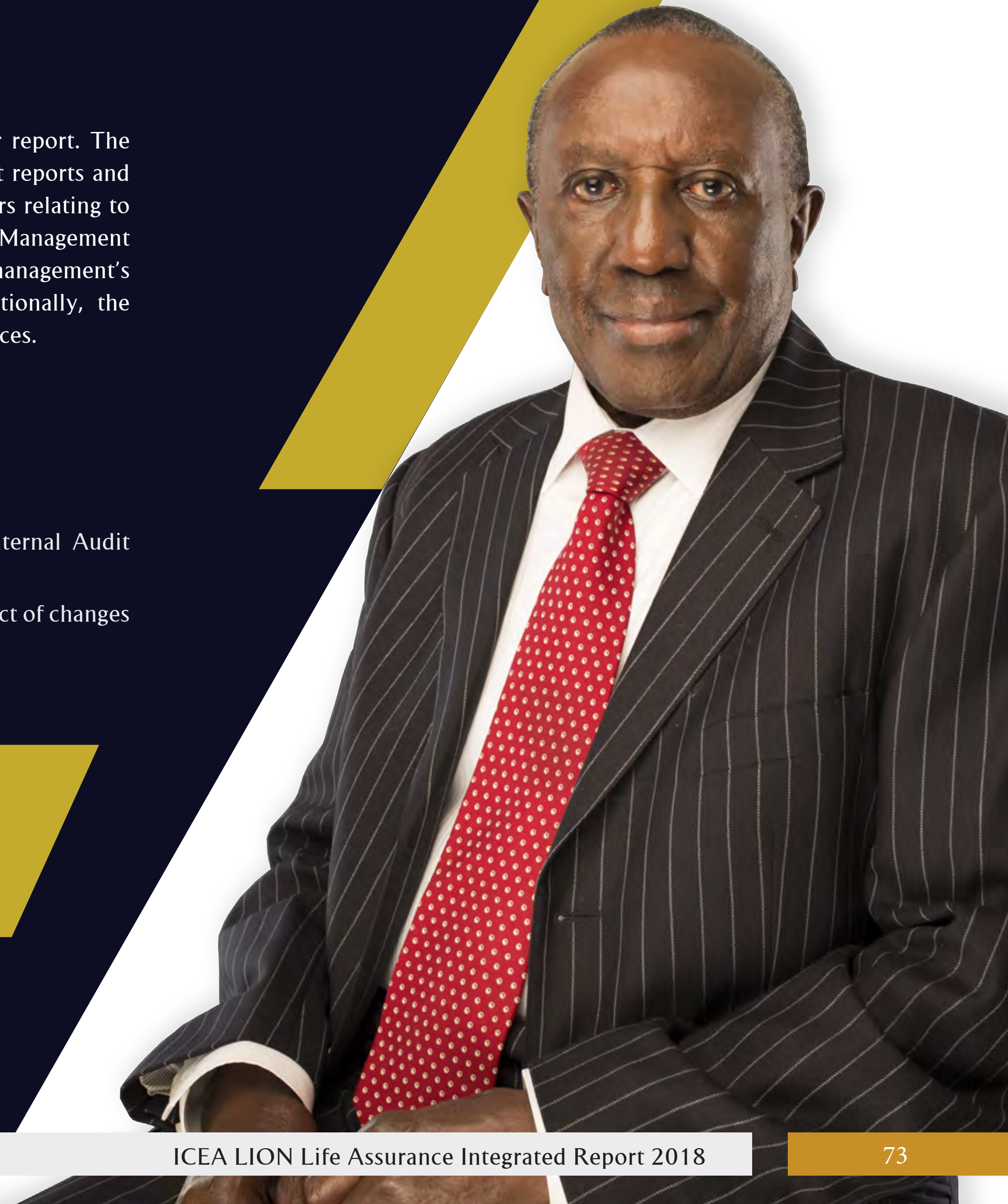
AUDIT & RISK COMMITTEE ACTIVITIES IN 2018

During the year, the Committee has:

- Reviewed the Company's inaugural Integrated Report
- Reviewed the effectiveness of the internal controls and the work of Risk and Internal Audit functions (key risks are described in more detail from pages 81 to 89)
- Considered systems design, implementation and related project management in respect of changes to the Group's financial reporting systems and processes.

"Ensuring a robust and integrated system of risk management, compliance and internal controls has been a key priority of the commitee".

DR. PETER KAMAU



In respect of financial statements, the Committee's focus was:

- The accounting judgements made by management that could have a significant effect on the Group's financial results;
- Oversight of ICT changes affecting financial systems and controls
- The clarity of disclosure of financial information
- Whether the financial statements, taken as a whole, give a true and fair view of the Company's financial performance

  The Statement of Directors' Responsibilities on this can be found on page 127 of this report

Company Capital Adequacy

The Committee reviewed and affirmed that the Company's capital adequacy status was adequate. Further, the Capital Management strategy in place was sound and capable of supporting the Company's planned growth strategy.

Filing of Statutory Returns

The committee reviewed the filing of various statutory returns in Kenya and Uganda and was satisfied with the compliance.

Information Technology

As part of its oversight responsibility, this Committee reviews controls over ICT. Working with the internal auditors, external auditors and external technical reviewers, the Committee was able to review the status of the Company's information security processes. During the year, an information systems auditor was brought on board to provide technical assurance on information technology controls and processes.. No major information security breaches were noted in 2018.

Cyber security continues to be top on the agenda with focus placed on the development of a group-wide cyber security strategy to be implemented by all subsidiaries.

Internal control & Risk Management

The Board has overall accountability for ensuring that risk is effectively managed across the Company. On behalf of the Board, this Committee has responsibility for reviewing the effectiveness of internal controls including financial, operational and compliance controls. The Company's principal risks are set out from pages 81 to 89 of this report.

In order to do this, the Committee:

- Receives and agrees on appropriate actions in response to regular reports from the Risk and Internal Audit function on:
  - » The status of internal control and risk management systems
  - » The department's findings, annual plan and the resources available to it to perform its work
  - » Any concerns expressed by colleagues about possible malpractice or wrongdoing
- Reviews whistle-blowing reports from the Company; and reviews the external auditor's management letter on internal financial controls.
- Seeks reports from senior management on the effectiveness of the management of key risk areas; and monitors the adequacy and timeliness of management's response to identified audit issues.

The main features of the Company's internal control and risk management systems relating to the accuracy and reliability of financial reporting, including the process for preparing the integrated annual report are as highlighted below:

No significant failings or weaknesses of internal control were identified during these reviews. Limited weaknesses and areas where controls could be further automated were identified, clear action plans were put into place to address these weaknesses and were captured as part of audit findings and functional risk registers with defined management responsibility.

EFFECTIVENESS & INDEPENDENCE OF THE EXTERNAL AUDITOR

The Committee considered the effectiveness of PricewaterhouseCoopers as the external auditor over the last year. In making this assessment the Committee has considered the information presented by the auditors, management responses to the auditor's findings, including any adjustments and the level of audit fees.

To fulfil its responsibilities in respect of the independence and effectiveness of the external auditor, the Committee reviewed:

01 The terms, areas of responsibility, duties and scope of work of the external auditor as set out in the engagement letter.

02 The audit work plan for the Group.

03 The detailed findings of the audit, including a discussion of any major issues that arose during the audit.

04 The letter from the external auditor confirming its independence and objectivity.

05 The audit fee during 2018

The Committee is satisfied with the performance and independence of the external auditor.

INTERNAL AUDIT

The Internal Audit department reviews the adequacy and effectiveness of the Company's adherence to its internal controls as well as reporting on strategies, policies and procedures. The internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against material financial misstatements or loss.

The Committee reviewed the proposed internal audit methodology and work plan. During the year, the internal audit department carried out internal audit engagements reviewing various functions within the Company. The Committee is satisfied with the performance of the internal audit function and will continue to provide support in ensuring it is able to achieve its mandate effectively.

FUTURE OUTLOOK

The Committee understands the importance of a robust risk management process and controlled environment and looks to progressively strengthen it over time. Cyber risk management continues to be a key focus area with more robust processes for review and reporting being put in place over the coming year.

BOARD ICT COMMITTEE REPORT

As the Chair of the Board Information and Communications Technology Committee, I am pleased to report on the activities of the committee for the year 2018. Our Committee's role is to provide guidance on ICT policy while ensuring that strategic and tactical planning is in place. We are responsible for encouraging the adoption of appropriate and effective ICT best practices and ensuring that the feasibility and viability of ICT projects is evaluated, prioritized and adequately funded.

Our Committee principally advises the board of directors on ICT strategy direction, initiatives, cybersecurity and IT risk management. It has the responsibility of ensuring that ICEA LION has a well-documented long-term information and communication technology strategy that is aligned to the organisation's objectives and business plans.

The committee is also responsible for:

- Oversight of ICT governance, standards, budgets and expenses
- Approval of the ICT strategy and initiatives
- Approval and review of control frameworks adopted for the management of ICT
- Review of scope and effectiveness of ICT operations in supporting business strategy realisation and risk management

OUR 2018 FOCUS

Technology utilisation for business operations has dramatically increased over the years, and driving excellent customer experience through digital touch points and partner connectivity have been the main strategic initiatives of the Committee. With the increased use of technology, challenges relating to information security have also risen. Cybersecurity therefore continues to be a key focus area for the Committee. During the year, the Committee approved the company's 2018-2022 cybersecurity strategy firmly setting the company on the roadmap towards cyber resilience as envisioned during the 2017 Board training and workshop on cybersecurity.

The following key items were also considered by the Committee:

- ICT strategy and initiatives aligned to the long-term business strategy
- Core systems initiatives on enhancing operational efficiency and achieving strategic agility
- Cybersecurity framework assessments
- Budgetary considerations and approvals
- ICT risk management, business continuity and disaster recovery initiatives
- Emerging regulations governing ICT

The Committee continues to focus on interactive and sustainable technology solutions for stakeholders and is committed to supporting our mandate to achieve sustainable business growth while building resilience across the enterprise.

"We will continue to provide interactive and sustainable technology solutions to our stakeholders ".

DAVID HUTCHISON

BOARD REMUNERATION & NOMINATION COMMITTEE REPORT

As the Chair of the Board Remuneration and Nomination Committee, I am pleased to report on the activities of the Committee for the year 2018.

This Committee considers and makes recommendations regarding the appointment of potential directors and is responsible for the evaluation of the performance of the Board, its committees, and directors as well as succession planning. The Committee reviews and makes appropriate recommendations to the Board in relation to the necessary and desirable competencies of directors. The Committee is also responsible for making recommendations to the Board on executive remuneration and incentive policies, recruitment, retention and termination policies for senior management, the remuneration framework for directors, among other matters.

The committee meets at least twice a year or more frequently as required and is responsible to the Board.

In 2018, the committee executed the following key actions:

01	Considered and approved the 2017 staff performance appraisals and the 2017 Profit Share proposals.
02	Considered and approved the 2018 salary increments.
03	Considered and recommended proposed Board appointments.
04	Initiated job evaluations, the salary survey project and reviewed subsequent status reports.
05	Considered and discussed the job evaluations, and the finalised salary survey project report.
06	Considered and approved proposals on review of study leave and compassionate leave.

REMUNERATION PHILOSOPHY

The company is committed to a remuneration philosophy that prevails throughout the ICEA LION Group, and one which focuses on rewarding consistent and sustainable individual and corporate performance.

The company's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders, operational and strategic requirements of the company, and providing attractive and appropriate remuneration packages.

The remuneration practices of the company have been structured to be competitive in the rapidly evolving industry in which it operates and to ensure that the company can attract, motivate, reward and retain highly talented people.

REMUNERATION GOVERNANCE

The remuneration governance structure within ICEA LION is as follows:

THE BOARD:

The Board is responsible for setting out the general policy on remuneration and incentive strategies and proposals for directors, executives and staff.

NOMINATION & REMUNERATION COMMITTEE:

The Board, has delegated the responsibility of remuneration policy formulation and approval of remuneration proposals to the Nomination and Remuneration Committee as detailed in the committee's Terms of Reference (TORs).

MANAGEMENT:

Management is responsible for developing and presenting proposals on remuneration and incentive strategies, proposals on annual remuneration reviews and profit-share schemes to the Nominations and Remunerations Committee.

HR FUNCTION:

The HR Department is the custodian of all policies and guidelines approved by the Board in respect of remuneration. The department also administers and monitors the implementation of policies, procedures and practices approved by the Board.

"We provide support and oversight towards the maintenance of governance and remuneration arrangements that underpin the strategic objectives of the business."

JAMES NDEGWA

04

OUR RISK LANDSCAPE

RISKS & OPPORTUNITIES

(INTERNAL)

BUILDING RESILIENCE THROUGH RISK INTELLIGENCE

The Risk Management field has undergone dramatic transformation over the past couple of years. This field is now much broader, more sophisticated, and more diverse than ever before, encompassing new responsibilities. The current operating environment adds operational, systemic, technology, vendor, physical risk, as well as business continuity management to the more traditional financial risk categories.

Over the past five years, we have shifted our risk management strategy from serving as protection to creating value and now to Building Enterprise Resilience through Risk Intelligence. The internally adopted risk management framework has been based on the ISO 31000 Model. Additionally, we have benchmarked our risk management processes to the AON Risk Maturity Index developed by AON Risk and Wharton School at the University of Pennsylvania. This maturity assessment is designed to empower risk and finance leaders to assess the maturity of their organisation's risk management structure and provide insight to support its continued development and implementation by reviewing its activities against forty components of "risk maturity".

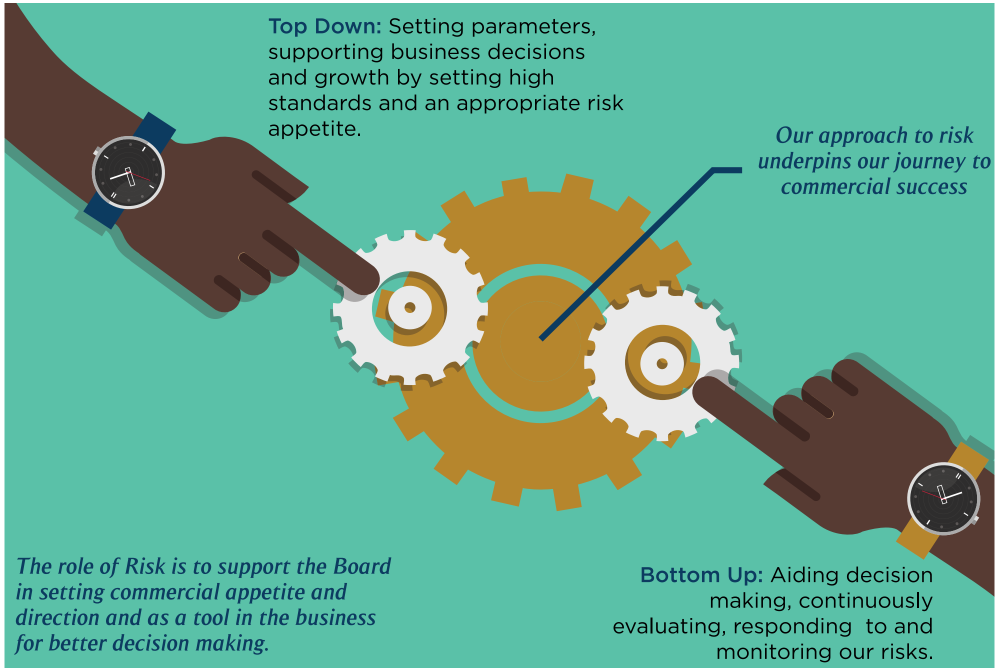
TURNING RISK INTO SUSTAINABLE VALUE

We have put in place a strong integrated risk management process into our daily business activities, as well as strong corporate governance structures that promote effective identification, monitoring and management of risk. We have established a fully-fledged risk management and compliance function headed by a senior officer. Independence of this function is maintained by a direct reporting line to the Board Audit and Risk Committee. This position is the focal point of in-house risk management compliance monitoring, authentication and related activities. This function has coordinated the setup of the risk appetite by the Board of Directors which has been cascaded to the senior management team.

Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. Specific key risks are also measured individually against pre-defined risk tolerance levels. These structures include well developed and documented internal procedures, clearly defined reporting lines and well-structured regular training programmes for staff. The latter is intended to enable staff to attain a clear appreciation of the nature of business risk; the likely consequences of not giving adequate attention to, or failure to properly manage risk; and of the universally accepted and internally prescribed techniques of effectively managing risk.

Integration of risk management has been a journey that has led to continuous improvement, the latest of which is the move towards quantification of risk through the Risk Based Capital regime by the Insurance Regulatory Authority.

OUR ROBUST APPROACH TO RISK MANAGEMENT



EMBRACING TECHNOLOGY TO SUPPORT RISK MANAGEMENT

The Company took the bold step of developing a bespoke Governance, Risk and Compliance (GRC) system that is "fit for purpose." This project was as a result of a vision to come up with a world-class GRC solution that was customised to our needs. It is envisaged that this system can be a model to be deployed to other risk management functions for companies associated with us and later to other institutions within the region. The system brings with it enhanced efficiency in the risk management, controls and compliance monitoring process.

OUR RISK GOVERNANCE MODEL

We have put in place a strong integrated risk management process in our daily business activities, as well as strong corporate governance structures that promote effective identification, monitoring and management of risk. We have established a fully-fledged risk management and compliance function headed by a senior officer.

Independence of this function is maintained by a direct reporting line to the Board Audit and Risk Committee. This position is the focal point of in-house risk management compliance monitoring, authentication and related activities. This function has coordinated the setup of the risk appetite by the Board of Directors which has been cascaded to the senior management team.

Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. Specific key risks are also measured individually against pre-defined risk tolerance levels. These structures include well developed and documented internal procedures, clearly defined reporting lines and well-structured regular training programs for staff. The latter is intended to enable staff attain a clear appreciation of the nature of business risk; the likely consequences of not giving adequate attention to, or failure to properly manage risk; and of the universally accepted and internally prescribed techniques of effectively managing risk. The risk management process is augmented by an effective and efficient risk management tool.

Responsibilities for the management of risk and control are aligned to a three-line of defense activity-based model as follows:

1st Line of Defense	*2nd Line of Defense*	*3rd Line of Defense*
The Board	*Risk Management Committees (RMC)*	*Internal Audit*
Business Units	*Risk Management Function*	
Technical support functions	*Actuarial Function*	
Finance	*Compilance Function*	
Underwriting		
Re-insurance		
General support functions		
ICT		
HR		

Our Risk Management and related efforts have been acknowledged by various industry and governance awards where ICEA LION General Insurance was awarded as outlined in the appendices section and pages 14 and 208.

RISK HIGHLIGHTS

The following section highlights some of the risks the Group faces as a result of its decisions, operational processes or the external environment. It also highlights some of the actions that have been adopted to mitigate against those risks.

Insurance Risk

DESCRIPTION

This is the risk relating to unknown future cash flows (including premiums, claims, expenses, etc) relating to policies on the books as well as the Company's insurance liabilities.

MITIGATION CONTROLS

All rates are actuarially determined. Underwriting processes are also in place to manage exposures on mortality and morbidity.

Investment Risk

DESCRIPTION

Risks due to investment performance, which may fall short of the benchmarks/expectations. Investment risks may also arise as a result of failure of financial institutions.

MITIGATION CONTROLS

A board-approved Investment Policy Statement and Asset Liability Policy ensures that assets are matched to liabilities and the investment mix is set accordingly. The Company has developed and complies with a board-approved a counter-party risk model

Discontinuance Risk

DESCRIPTION

This occurs when a policy is lapsed or surrendered.

MITIGATION CONTROLS

All agents are adequately trained to ensure the right products are sold based on identified needs and financial capacity. Care is taken to ensure surrender values are based on realistic reserves to avoid paying surrender values higher than values of the policies. Surrender penalties are also imposed.

Expense Risk

DESCRIPTION

The risk of a change in value caused by the fact that the timing and/or the amount of expenses incurred differs from those expected, e.g. those assumed for pricing basis.

MITIGATION CONTROLS

Expenses are monitored to ensure total expenses incurred are not more than those assumed in premium loading. There is also continuous monitoring of the expense ratio to ensure risks do not increase.

Distribution Risk

DESCRIPTION

The risk that the surplus distribution mechanism may be inappropriate.

MITIGATION CONTROLS

We distribute less of the estimated profits and provide for appropriate reserving.

New Business Risk (Valuation Strain)

DESCRIPTION

This is the risk that there is the strain on the business due to inadequate premium amounts in initial years, which may not be enough to cover for the expenses, commissions and statutory reserves. New business may also cause strain on the institution's infrastructure rendering it unable to meet is objectives effectively.

MITIGATION CONTROLS

Adequate reserves are maintained to facilitate business growth. We are continuously expanding our infrastructure to match business growth.

Insufficient Data Risk

DESCRIPTION

The risk that insufficient data may lead to wrong assumptions in future pricing.

MITIGATION CONTROLS

Use of reliable and automated systems. There is also independent review of all data used for actuarial valuation as well as regular data validation exercises.

Credit Risk

DESCRIPTION

This refers to financial loss due to counterparties not being able to fulfil their contractual obligations. Counterparties may not be able to pay their ongoing obligations (for example, interest on a corporate bond or rent by a lessee) or they may not be able to meet their obligations.

MITIGATION CONTROLS

Continuous engagement with all relevant stakeholders with regards to follow-up of debts. The Company has developed and complies with a board-approved a counter-party risk model.

Inherent Risk

DESCRIPTION

Risks that come about as a result of policyholders guarantees. This may be caused by products offered that offer guarantees on interest and impairment of capital by investment loss.

MITIGATION CONTROLS

The company builds adequate reserves and encourages appropriate investment strategies. Interest rates are also reset periodically to reflect economic realities.

Market Risk

DESCRIPTION

These are the risks that may arise as a result of market movements, which may expose the Company to fluctuations in the value of its assets, the amounts of its liabilities, or the income from its assets. Market risks may also arise out of fluctuations in interest rates, foreign exchange rates and volatile equity and property market.

MITIGATION CONTROLS

A board-approved Investment Policy Statement and Asset Liability Policy ensures that assets are matched to liabilities and the investment mix is set accordingly. The Company has engaged the services of a professional Asset Manager to leverage on market intelligence.

Operational Risk

DESCRIPTION

The risk that there is loss as a result of inadequate or failed internal processes, people, technology and external events. It may also include fraud risks.

MITIGATION CONTROLS

Human capital management, cyber/ICT and fraud risk management processes are in place. Oversight of operational controls take place across the three lines of defense.

Strategic Risk

DESCRIPTION

The risk that strategic outcomes may differ adversely to expectations or that the strategy chosen may be suboptimal.

MITIGATION CONTROLS

There are adequate controls and oversight processes with regards to strategic initiatives

Liquidity Risk

DESCRIPTION

The risk that the Company may be unable to meet its liabilities as and when they fall due.

MITIGATION CONTROLS

The current structure of the Company's investments takes care of liquidity requirements.

Reputation Risk

DESCRIPTION

The risk of damage to the Group's image which may impair our ability to retain and general business due to loss of trust and confidence or a breakdown in business relationships.

MITIGATION CONTROLS

We have no appetite for reputation risk. Safeguarding our reputation is of paramount importance to us and is the responsibility of every employee. We have set up a Crisis Management Team that handles reputational risks that may arise out of adverse media coverage, social media incidences, among others.

Business Continuity Risk

DESCRIPTION

The risk of disruption of business activities due to internal and external risk events such as failure of technology, natural disasters such as floods, civil unrest, etc.

MITIGATION CONTROLS

Formalized business continuity, disaster recovery and crisis management plans are in place.

Compliance Risk

DESCRIPTION

Arises from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards as well as from the possibility of incorrect interpretation of effective laws or regulations.

MITIGATION CONTROLS

We minimise compliance risks by ensuring all activities are conducted in accordance to all regulations, code of conduct and good practices as well as in conformance to internal policies and standards of operations. Independent assurance and oversight is provided by the compliance and internal audit teams.

FOCUS AREAS

During the year under review, we paid attention to the following:

1. **Identification of risk indicators** for business areas within the Group across departments and subsidiaries.

2. **Inclusion of environmental and social risk parameters** in the risk management framework and processes. This is supported by the Environmental and Social Risk Policy that was approved by the Board during the year.

3. **Improved data governance processes** to mitigate against data privacy and related compliance risks. Of note was increased attention paid to cyber related risks.

4. Further **enhancing the risk culture** through continuous risk training.

RISK & OPPORTUNITY

(EXTERNAL)

OUR MATERIAL ISSUES

We consider a material theme to be any matter that is likely to impact the Company's ability to achieve its strategy, remain commercially viable or environmentally and socially relevant or substantively influence the assessment and decisions of our stakeholders. Determination of material issues are crucial since they provide a broader vision of the risks and opportunities to the business with the aim of identifying strategies to mitigate against negative effects.

The process of determining material matters is based on formal and informal stakeholder feedback as well as obtaining an understanding of the current and future operating environment. In a bid to create long-term value, we must anticipate the risks that could impair our ability to do so while capitalising on new opportunities accorded to us by this changing world.

This section highlights material issues that could impair our ability to create long-term value as well as our progress towards mitigating them as we exploit these new opportunities.

Regulatory Evolution (Risk Identified: Strategic Risk & Operational Risk)	Our Risk Management
The insurance industry in Kenya has over the past few years seen significant changes in rules and regulations at both the local and global level. The most significant of these being IFRS 9 (on financial instruments) and IFRS 17 (on Insurance Contracts)	IFRS 9 was implemented during the year. We monitor developments in international accounting standards and are in the process of carrying out an impact assessment on IFRS 17.

Technological Evolution (Risks identified: Strategic Risk & Operational Risk)	Our Risk Management
We recognise the profound impact disruptive technologies have had on our business in the last decade and the likelihood for more disruption in the years to come. These include the Internet of Things (IoT), the growth of mobile technology, adoption of cloud services, among others. Availability of customer data, combined with technological capabilities of processing data quickly provides new opportunities in terms of customer segmentation and pricing. New technology is crucial in terms of opening up new markets, spurring growth of the insurance industry as well as the ancillary businesses that grow around them. It however creates potential risks such as cyber risks which challenges institutions' traditional risk management models. Technology as a key process driver within the institution may also impair business continuity in the event of malfunction of systems and processes.	As uncertainty is mounting for the industry. We need to quickly make strategic choices in order to succeed with Changing Customer Preferences (Risks Identified: Strategic Risk & Insurance Risk) versus competition and regulation while leveraging on technology. We are leveraging on cutting-edge technologies for the management and analysis of data as we work towards greater direct interaction with our clients. We are designing and improving products that support a digital distribution strategy as we work towards addressing emerging customer needs. We have dedicated significant attention and resources on developing our digital infrastructure as we strengthen cybersecurity through the deployment of sophisticated software and tools, continuous cyber risk assessments as well as awareness campaigns to our staff on possible threats. We have implemented a robust Business Continuity Management framework that has been cascaded to our subsidiaries.

Changing Customer Preferences (Risks Identified: Strategic Risk & Insurance Risk)	Our Risk Management
In light of global trends of digitisation and economic uncertainty, consumer preferences with regards to insurance products and services are changing. The digital revolution has lent new urgency to insurers raising the bar on customer expectations. Consumers, particularly younger ones prefer convenience, speed, value and ease of use. These customers expect greater attention to service quality and have a more independent approach to acquire an insurance product. This introduces a new challenge where we must learn to delight the emerging digital customers while continuing to please those who use conventional channels	We are well recognised for customer service and have over the recent past developed capabilities which we continue to leverage on. We have defined our desired customer archetype as: • The Discerning Influencer as a Corporate Client » Individuals who understand the value of quality, expect a commendable claims settlement record, value good corporate governance, look to partner with professionals with technical expertise as well as one who delivers innovative solutions » Having the increasing ability to dictate where there business is placed • The Discerning Influencer as a Retail Client » Keen to associate with a brand that accords them status, keeps its promises and offers solutions that meet their diverse and dynamic needs We have embarked on a multi-year effort to change the way we relate to our customers as we continuously work towards superior customer connectivity and intimacy for direct customer relationship as well as developing solutions to address these needs.

Financial & Economic Landscape (Risks identified: Strategic Risk, Credit & Insurance Risk)	Our Risk Management
GDP growth was 5.8% in 2018. The shift in government policy with regards to the Big Four Agenda whereby the government aims to increase the share of manufacturing sector from 9% to 15% of the gross domestic product (GDP) by 2022, expand food production and supply, provide universal health coverage for all Kenyan homes and build 500,000 affordable houses provides new opportunities going forward.	We are cognizant of the opportunities at hand. As the economy grows, there will be more resources for investment with more disposable income available to consumers to spend on social and financial protection instruments. We understand the impact of our operations on the economy and the broader society. We work to enhance our relevance by creating positive impacts to our stakeholders as we seek to play a key role in the socio-economic improvements of society.

Demographic & Social Changes (Risks identified: Underwriting & Emerging Risk)	Our Risk Management
Kenya's growing youthful population, a dynamic private sector, highly skilled workforce and its pivotal role in East Africa makes us a country with great potential. We continuously monitor the changes in demographics as we develop and improve on products that are more accessible and flexible to accommodate unique needs. We recognise that the successful underwriter is one who will provide sufficient flexibility to support individuals following substantially different life and career paths. The proportion of Kenya's youth to the population is among the highest globally, presenting the economy with a vibrant manpower if put to productive use. We boast of a relatively young population whose average income capacity is limited. There is the growing middle class with urban dwellers constituting 26% of the population.The millennials are in excess of 10 million with most of them being educated. Kenya leads the region in youth unemployment at 17.3% compared to only 6% for neighbouring Uganda and Tanzania each. Kenya's unemployment crisis has been blamed on sluggish growth of formal sector jobs even as the country continues to produce thousands of university graduates every year. Intermittent, part-time and informal employment or self-employment, with frequent career changes, is becoming the norm. Business models favouring this youthful population is not brick and mortar with most seeking dynamic solutions that can address their specific needs. There is still however the traditional customers who prefer conventional products distributed via conventional means.	With this changing demographic, increasing globalisation and information explosion, we need to be insight driven to keep up. We continuously monitor the changes in demographics as we develop and improve on products that are more accessible and flexible to accommodate unique needs. We recognise that the successful underwriter is one who will provide sufficient flexibility to support individuals following substantially different life and career paths. We aim to delight the millennial customers while continuing to please and serve the conventional insurance customer. We have shifted out marketing emphasis from providing "risk mitigation" to providing solutions.

Environmental Changes (Risks Identified: Underwriting, Emerging & Operational risk)	Our Risk Management
Extreme weather events for example floods and storms impact the economic and social systems as well as insurance needs. Extreme weather patterns (floods) which have characterised the beginning of the year 2018 has led to major property and crop damage, infrastructure and loss of human life.	We are signatories to the United Nations Environmental Program Finance Initiative (UNEP FI) Principles of Sustainable Insurance (PSI). Our adoption of these principles provides assurance to our stakeholders for whom sustainable business practices are core to their activities and value chain. An environmental and social risk policy approved by the Board during the year supports this process.

05

OUR VALUE CREATION

OUR APPROACH:
THE 6 CAPITALS MODEL

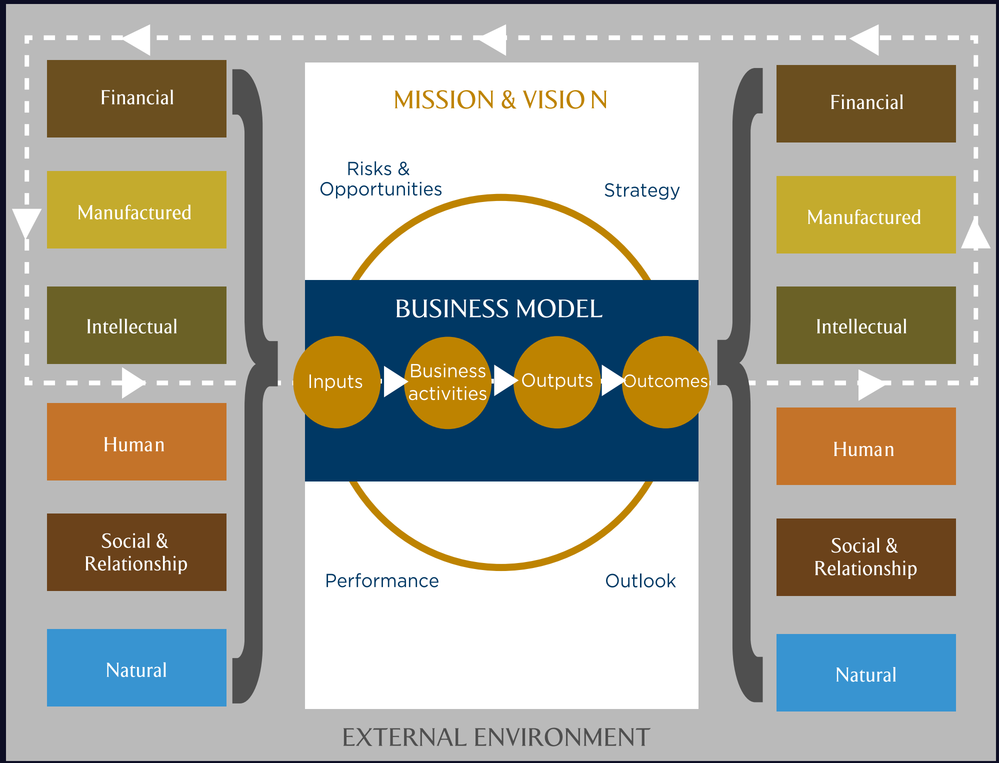
It is our intent to provide insights into how our resources and relationships; collectively referred to as the 6 Capitals; are used by the organisation. We will also share how we interact with our external environment to create value over the short-, medium- and long-term.

MAINTAINING OUR CAPITALS TO CREATE VALUE IN THE FUTURE

Capitals represent stores of value that can be built up, transformed or run down over time in the production of goods or services. Their availability, quality and affordability can affect the long-term viability of an organisation's business model and, therefore, its ability to create value over time. The Capitals must therefore be maintained if they are to continue to help organisations create value in the future.

Based on the International Integrated Reporting Council (IIRC) framework, shown in the diagram below, the following capitals are inputs to our business model.

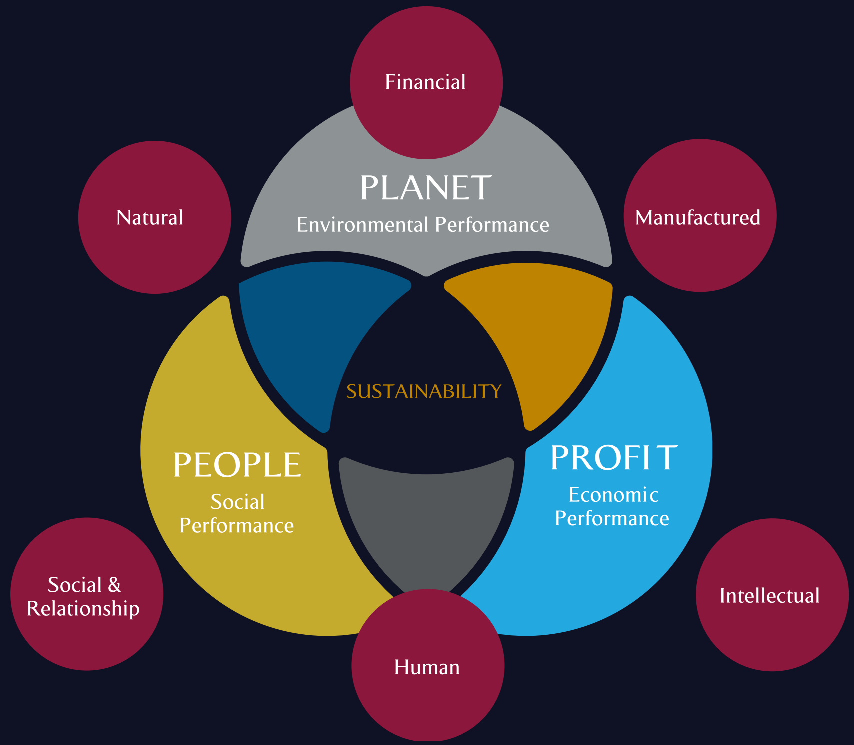
THE 6 CAPITALS MODEL



EMBRACING THE SIX CAPITALS MODEL & THE TRIPLE BOTTOM LINE

The Triple Bottom Line has been particularly influential in corporate reporting practices. For a long time, Triple Bottom Line and sustainability have been the preferred terms to refer to the non-financial reporting practices of large organisations. This was the concept used when we developed our first sustainability report in 2017.

More recently, we have adopted the 6 Capitals Model approach on integrated reporting proposed by the IIRC. The diagram on the right shows how the 6 Capitals relate to the Triple Bottom Line approach that we have used in the past.



ENSURING OUR SUSTAINABILITY BY EMBRACING THE SHARED VALUE APPROACH

Having embraced the shared value approach, we recognise that societal needs, not just conventional economic needs define markets. Shared value refers to policies and operating practices that enhance the competitiveness of a company while simultaneously advancing economic and social conditions in the communities it operates. We further recognise that social harms or weaknesses frequently create internal costs for institutions such as wasted energy, costly accidents and the need for remedial training to compensate for inadequacies in education.

We accept that addressing societal harms and constraints do not necessarily raise costs for organisations, because through them we can innovate by using new technologies, operating methods, and management approaches; and as a result, increase our productivity and value creation. Our commitment to the shared value approach highlights our desire to spearhead and propagate opportunities for future generations. We are committed to embedding the principles of integrated thinking in our business. For us to be accountable to our stakeholders, we have to be understood. In light of this, integrated reporting allows us to communicate our commitment towards this end, our dreams and aspirations in creating a better future, and where we are on this journey.

We have structured this section of the report in the form of the 6 Capitals and hope that they will be useful to our stakeholders in understanding the Company, our material issues driving our strategy and how we respond to the needs of our stakeholders.

1. Our Human Capital

Our people are important to us and therefore this is one of the greatest capitals we have. It encompasses people's competencies, capabilities and experience, and their motivations to innovate. It includes alignment with and support for an organisation's governance framework and risk management approach, and ethical values such as recognition of human rights.

The ability to understand, develop and implement an organisation's strategy, loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate are also included here. Other aspects include employee turnover, labour/management relations, occupational health and safety, training and education, diversity and equal opportunity.

2. Our Intellectual Capital

This is comprised of our knowledge-based intangibles such as intellectual property, e.g. patents, copyrights, software, rights and licenses. It also includes organisational capital e.g. tacit knowledge, systems, procedures and protocols. The Corporate brand image and reputation that we have developed over time are also a key consideration.

3. Our Natural Capital

These include all renewable and non-renewable environmental materials that we utilise in order to deliver the financial products and services that support our current and future prosperity. Other related aspects include biodiversity and ecosystem health, carbon emissions, effluents and waste. As a financial services player, we relate to various sectors of the economy and can therefore influence how our stakeholders relate to natural resources.

4. Our Financial Capital

This is composed of financial resources or the pool of funds available to us for use in the provision of insurance services.

5. Our Social and Relationship Capital

These includes our institution and the relationships established within and between each community, group of stakeholders and other networks including the ability to share information and enhance individual and collective well-being. Shared norms, and common values and behaviors, key relationships, and the trust and willingness to engage that we have developed over time as we strive to create and protect wealth for our stakeholders are also included here.

Our social license to operate, community related aspects including: corruption; anti-competitive behavior; customer health, safety and privacy; human rights such as non-discrimination, freedom of association, and indigenous rights are also included here.

6. Our Manufactured Capital

This is composed of physical objects that are available to us for use in the production of goods or the provision of services. They include our buildings, equipment and facilities, infrastructure, applications and systems, among others. We have invested heavily on infrastructure over the past few years, an essential component in building efficacy and efficiencies within our business model.

OUR PEOPLE ARE IMPORTANT TO US

Our people are vital to our success. Indeed, one of our four core values is "Our People Are Important To Us". Our strategy unquestionably articulates that our People are our most important asset. Our ability to attract and retain skilled, diverse talent will provide us with strong potential to achieve our vision and mission and indeed deliver on our strategic objectives. This will be realised by providing a consistently excellent experience for our stakeholders.

We continue to create and maintain an environment that attracts and retains the best staff and have put in place the conditions and structures to enable all our People to fulfil their career aspirations in a manner that is not only "Employer of choice" for them, but also challenges them and supports their development.

The following diagram indicates some of our people engagement programs.

For detailed information about our performance in the 11 categories above, please visit ICEALION.com and review the Human Capital section of our inaugural Integrated Report for 2017.

SAFEGUARDING HEALTH & SAFETY

Ensuring a safe and healthy workplace is a fundamental part of our corporate responsibility. Our inclusive approach to Occupational Health and Safety (OHS) includes all persons who are employed by the Company. Our vision is zero major incidents and we work actively to prevent injuries and work-related ill health.

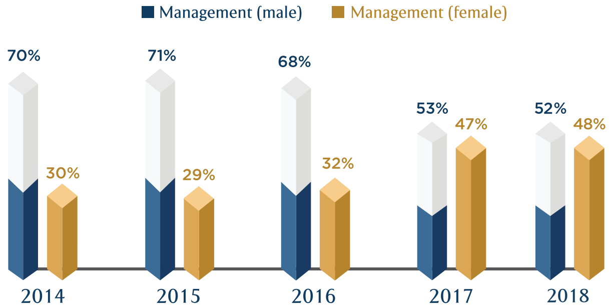
To avoid incidents and prevent work-related hazards, we apply a riskbased approach that is based on transparency and inclusiveness. We have over the past year made progress towards our target; to increase frequency and quality of incident reporting and handling, and to increase knowledge and awareness within incident handling for selected job roles.

Competence and awareness are key to reducing major incidents. We have therefore set out training requirements as part of a comprehensive approach towards achieving a high standard of OHS performance. To fulfil our vision, in 2017 we launched our programme designed to increase OHS training and awareness to OHS committee members and champions and eventually to all staff. This programme includes the launch of an incident reporting tool which has been rolled out as part of the Governance Risk and Compliance system. Through this tool, incidents that occur throughout the organisation can be reported immediately. Follow-up actions can then be taken.

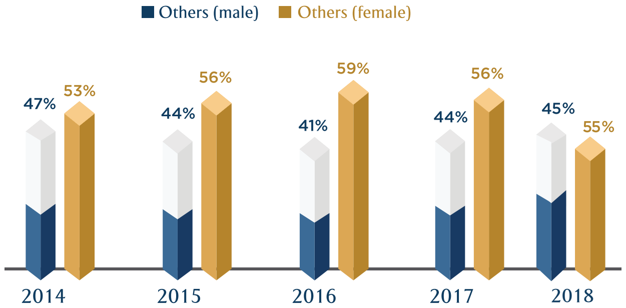
There were no casualties or fatalities reported in the year. As part of our inclusive approach, we also address and report on agents and contractors.

GROUP HUMAN RESOURCE DATA

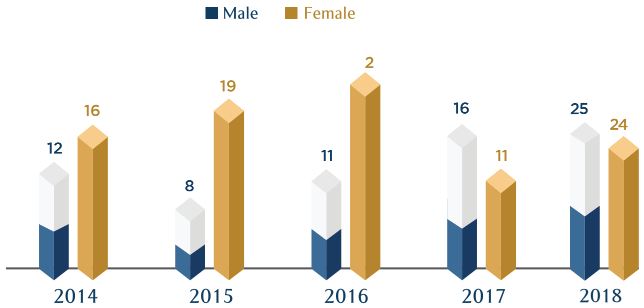
Management Staff Gender Balance (%)



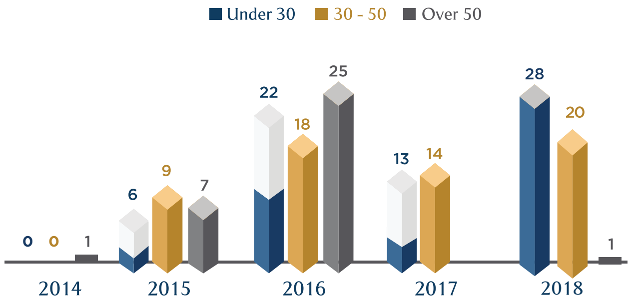
Other Staff Gender Balance (%)



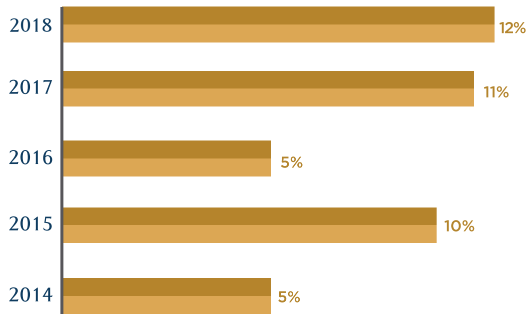
New Hires



New Hires by Age

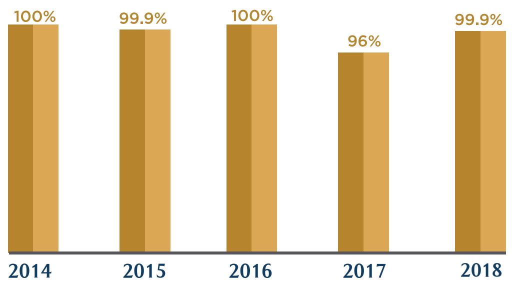


Staff Attrition Rate

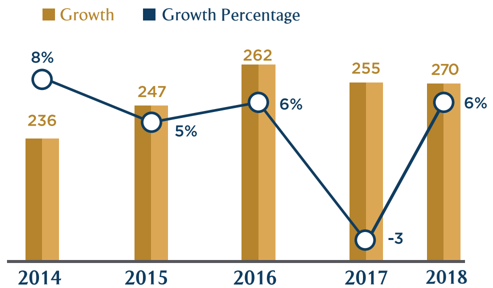


Staff Separation

Retention Rate for Best Performing Staff

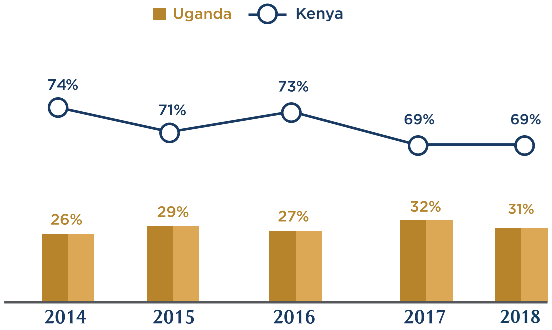


Total Headcount

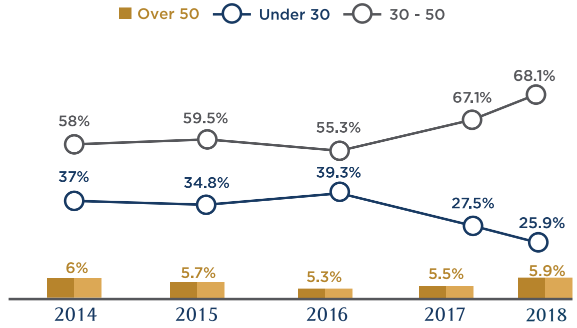


GROUP HUMAN RESOURCE DATA

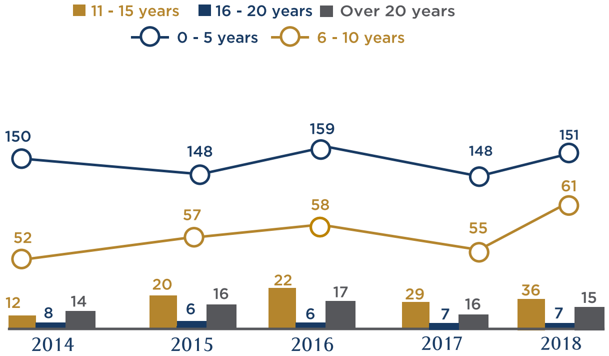
Regional Split of Headcount (%)



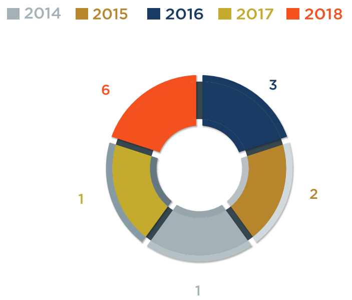
Headcount by Age Group (%)



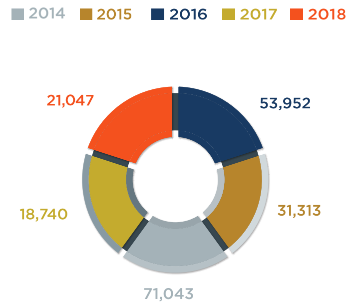
Employee Years of Service



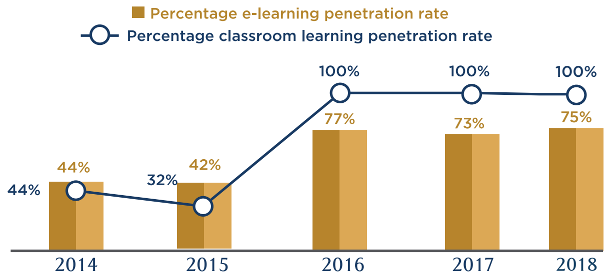
International Training & Exposure



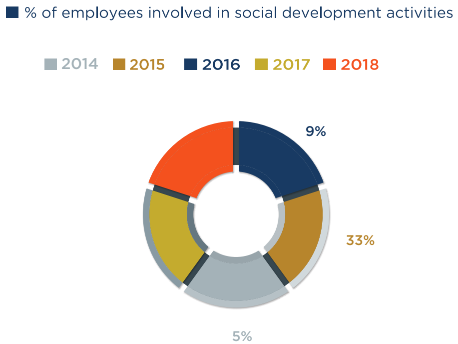
Learning Costs per Employee (KShs)



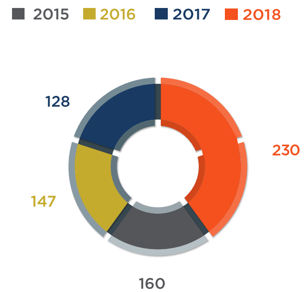
Employee Learning & Development



Commitment & Patronage



Wellness Programmes



OUR SOCIAL MEDIA ENGAGEMENT SOLUTIONS

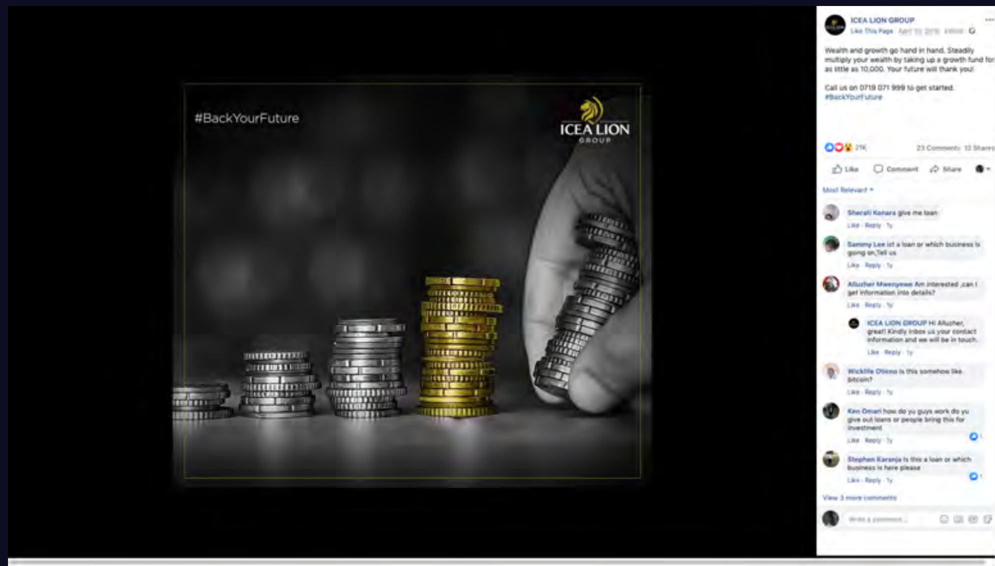
ICEA LION seeks to deliver relevant and impactful engagement channels between the Brand and its desired target audiences so they can engage us for wealth protection and creation. As we pursue sustainable profitability, it is integral to utilise solutions that can grow our brand economically. The digital sphere is a critical channel in this regard especially as we seek to expand our relevance to new and untapped markets.

Generation Y and Millennials have a voracious appetite for information, yet the traditionally conservative and verbose insurance and financial services industry struggles to put forward product information in a palatable and relevant format. ICEA LION continues to demystify the sector and also get intimate with our target audience via our relevant, engaging and disruptive social media platforms.

Our key insight is that everyone seeks financial success. As such, we enable our online audiences learn about and FOCUS on their financial success. Especially the millennial generation that believes in instant success. We seek to be their partner on that journey and built on our introductory 2016/2017 theme #PreparationPays and deployed #BackYourFuture in 2018. This is a more partner driven approach to financial education than the tradition prescriptive one that had been adopted by financial service brands.

We have ingratiated ourselves into their lives using relevance rather than bombarding them with product and corporate information in an unpalatable manner. Further, we developed our iconic black and gold theme that has enabled us to set ourselves apart in a financial services sector plagued by matching aesthetics and it immediately paid off. The ICEA LION has risen to be the most distinctive and amongst the most engaged insurance brands in Kenya.

Below is a snapshot of some of the #BackYourFuture campaigns that have been instrumental in building our brand on social media platforms.




#PreparationPays
ICEA LION
GROUP
ICEA LION GROUP
Aim higher. Be a cut above the rest. You're focused on your success. So are we.
#BackYourFuture


#BackYourFuture
ICEA LION
GROUP
ICEA LION GROUP
Shared capital is one of the few ways to reduce the financial burden when starting up a business. What other creative ways can you use to get start up capital?

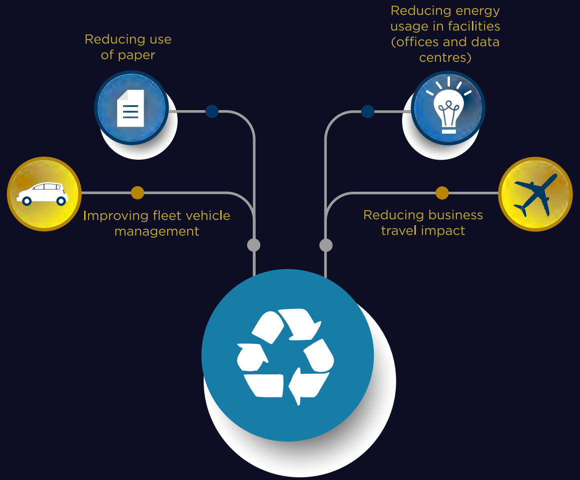

#BackYourFuture
ICEA LION
GROUP
ICEA LION GROUP
There's comfort in knowing your investment is growing. Sit back as your fund earns a daily interest when you take up a money market account for as little as 10,000.
Call us on 0719 071 999 to get started.
#BackYourFuture


ICEA LION GROUP · Timeline Photos
#BackYourFuture
ICEA LION
GROUP
ICEA LION GROUP
You've made it official and now you are looking for a place to unwind. Would you consider saving up for a delayed honeymoon?

NATURAL CAPITAL 03

RESPONSIBLE CONSUMPTION

We continuously work to reduce the carbon footprint of our activities. We have a four pronged approach for this:



We have set-up of environmental performance baselines in our quest towards the development of an Environmental Management System (EMS).

FACILITY ENERGY USAGE

As part of our focus towards environmental sustainability, we are intent on measuring, monitoring and lowering our carbon footprint. Our carbon emissions have been measured according to the general accepted standards of the Greenhouse Gas (GHG) Protocol. In measuring this, we have limited our energy consumption to electricity, motor vehicle, fuel, air travel and water consumption.

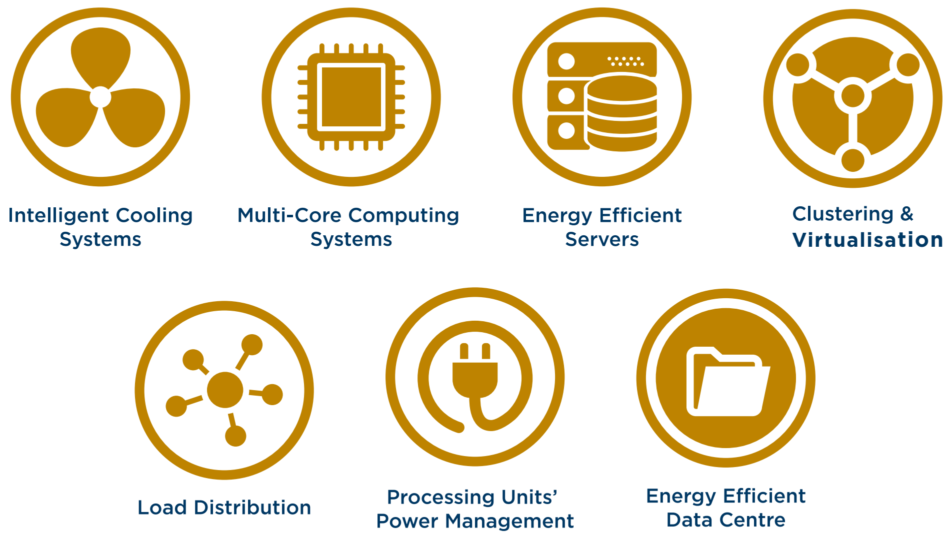
We regularly conduct energy audits which will assist us in meeting the Energy Regulatory Commission Guidelines. In our day to day operations, automation and an automated document management system has led to reduced paper usage.

	2015 (ksh)	*2016 (ksh)*	*2017(ksh)*	*2018(ksh)*
Electricity	4,510,000	4,740,000	4,431,000	*5,044,000*
Newspapers/ Books	636,000	815,000	833,000	*1,022,000*
Travel	530,000	923,000	1,300,000	*8,735,000*

EMBRACING GREEN TECHNOLOGY

With rising energy consumption, global warming and e-waste, we have deliberately taken into serious consideration the concept of green computing as our contribution to best practice for sustainable development. We have aligned our ICT processes and practices to find innovative and alternative ways of using ICT across the organisation and beyond to deliver environmental benefits.

The diagram below shows these initiatives:



These initiatives are elaborated below:

Green Deployment

• Virtualisation: Our data centre runs all our core application systems on a virtualised environment that has eliminated the need for dedicated servers for applications, allowing for the running of multiple operating system on minimal hardware at optimal performance. Our server footprint has reduced 15-fold.

• Cloud Computing: We have migrated some of our processes to cloud computing providers who are focused on environmental sustainability. We have adopted cloud deployments for services such as email, business intelligence, back-ups and disaster recovery with sustainability cloud providers such as Google Cloud©, Microsoft Azure© and Chartio©.

Green Disposal and Re-use

We have partnered with our vendors for recycling used equipment and parts such as inverter power back batteries which are collected upon expiry of recommended run time and recycled in socially and environmentally desirable processing and re-use methodologies. Replaced computing equipment are appraised and reused within the organisation.

Data Centre Sustainability improvements

In building our data centre towards eco-friendliness, the following targeted initiatives have been implemented.

• Air Reticulation: Our data centre design has incorporated the separation of the cold and hot aisles to reduce cooling power required. With this, our data centre air conditioning systems settings have been adjusted up by 4°C leading to a reduction in energy consumption.

• Cooling System: We deployed in-row self-contained air conditioners by Tripplite© that provide large amounts of cooling power for much less electrical power compared to traditional cooling systems. This combined with air reticulated design of the data centre has resulted in reduction of cool air leakages and allowed for the reduction of run time of the installed air conditioners from full time run to every other week.

Green Use of Technology

• Wireless Telecommuting: Our Head Office has deployed wireless connectivity across all offices and meeting rooms. This allows meetings to take place without the need for paper reports.

• Paperless Processing - We have implemented end to end document processing system and automated workflows which has ensured elimination for paper flows across offices.

OUR WILDLIFE CONSERVATION EFFORTS

For more information about our wildlife conservation efforts, please see the section on our Corporate Social Investment (CSI) initiative on lion conservation under Social and Relationship on pages 102 to 108.

SOCIAL & RELATIONSHIP

04

CORPORATE GOVERNANCE

We have a reputation for honesty and integrity in our management practices. This indeed lives up to one of our four core values "We Champion Integrity." We have developed; a robust corporate governance framework anchored on global best practice governance systems. These include the U.K. Corporate Governance Code, the Organisation for Economic Co-operation and Development (OECD) Principles on Corporate Governance and The King IV Report. We have also benchmarked ourselves against the locally adopted Code of Corporate Governance for the Private Sector in Kenya.

The standards for conduct established by the Company's Code of Business Conduct and Ethics serve to implement these guidelines and principles which are obligatory for all employees. The Code of Conduct and other internal guidelines adopted on its basis provide all employees with clear guidance on conduct that is in accordance with the values of the Company. They provide employees with practical guidelines for making their own decisions and avoiding potential conflicts of interest. These guidelines also help employees recognise when they are approaching a critical limit, such as the acceptance of gifts or invitations from business partners. We believe good ethics are paramount and that organisations should aim for a strong ethical culture that is self-policing.

ANTI-BRIBERY AND CORRUPTION

Our commitment to fight all forms of corrupt activities is covered in our Anti-Bribery Policy. Channels have been set up, including an independently managed whistleblowing system which helps employees and other stakeholders report on fraud, corruption and unethical activities.

SUPPLIERS

We have a formal supplier selection process for all products and services procured that is reviewed every three years. All new suppliers are expected to comply with our Anti-Bribery Policy, a copy of which is provided to them when they come on board.

We have adopted a centralised procurement service which aims to bring with it enhanced efficiencies with regards to the procurement process. This service is overseen by a Procurement Committee.

GOVERNMENT AND REGULATORS

Recognising that the government is a key stakeholder, we ensure that we are in full compliance with all applicable laws and regulations. The tasks of the compliance team includes advising the business units on laws, provisions and other regulations, the creation, implementation and monitoring of compliance with internal guidelines and standards as well as regular training of employees on the rules which are applicable.

DATA PROTECTION

We recognise that it is our duty to protect corporate and personal information in all our operations. In light of global changes on data privacy and the need to be proactive in implementation of such guidelines, we have updated our privacy policy. We also have in place an Information Risk and Governance policy that's sets out our commitment to the security, information risk management, confidentiality and quality of information. We recognise the need to efficiently manage information risk as well as put in place appropriate policies, procedures and management accountability in order to provide a robust governance framework for information management.

SUSTAINABLE INSURANCE

As one of the only four African insurance company signatories to the United Nations Environmental Programme Finance Initiative's (UNEP-FI) Principles of Sustaible Insurance (PSI), we affirm our commitment towards sustainability at the heart of risk management in the pursuit of a more forward-looking and better managed world.

By protecting companies and consumers from everyday risks, we provide the priceless sense of protection and peace of mind required to grow our economy. We create products and services enabling our customers to transfer their risks and in return, they pay us contributions, premiums or deposits, investing in the future. By pooling risks and premiums, we offer financial and social protection to individuals and companies, further reinforcing a sense of community. This also encourages entrepreneurship and innovation.

With a low insurance penetration rate of about 2.73%, it is evident that the most vulnerable members of our society have insufficient access to insurance. To tackle this, we are developing products that are simpler, more flexible and easier to access through our digital channels.

As long-term investors, we help boost sustainable growth within the economy. With total assets in excess of Kshs. 12.6 billion we create long-term value for our customers, shareholders and society as a whole empowering them to live a better life.

PLAYING OUR PART IN THE SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals (SDGs), adopted by countries in the year 2015, invite global action by 2030 in three overarching areas i.e. reduction of poverty, protection of the planet and ensuring prosperity for all. The SDGs include specific targets that can only be achieved by governments, civil society and businesses working together around the globe. As an insurance provider, we recognise our role in contributing to some of these SDGs. We see insurance as a powerful enabler to these SDGs. The section below highlights how our sustainability pillars align to the SDG.

OUR CORPORATE CITIZENRY

OUR PASSION TO SAFEGUARD THE FUTURE OF LIONS IN KENYA

The population of lions in the wild has been noted to have decreased significantly throughout Africa and is currently at 20,000 with an estimated 2,000 being from Kenya. The lions' official conservation status is 'threatened and vulnerable'. Africa is synonymous with lions and people all over the world travel to Kenya to witness and experience our spectacular natural and wildlife wealth. Protecting lions in the wild is an important part of securing our economic future as a nation. As an organisation we strongly believe that our partnering with KWS and other world renown local conservationists ensures the future of our economy.

Our I SEE A LION Corporate Social Investment Campaign is aptly named, and has a strong connection with our company name ICEA LION. It is aimed at ensuring that future generations get to experience SEE lions roam freely in the wild and future.

At ICEA LION, we like to think of ourselves as the 'King of the Financial Jungle'. It was a natural fit to inculcate the passion needed to safeguard the future of the Lion in Kenya; that almost forgotten noble and iconic beast that has unwittingly been relegated by the grand and beleoved tusked giants, yet is a central part of this country's heritage.

Following sessions and conferences held with Kenya Wildlife Service (KWS) at their Carnivore Conference, the passion to save this vulnerable and threatened icon of East Africa was born. This passion burned through from the team that conceptualised the idea, to the Leadership Team who endorsed it, right through to the Board who approved the strategy in November 2015. Included in the approval was the decision to minimise the previously supported philanthropic CSR initiatives. These were to be supported only when necessary.

The adopted project not only demonstrated true sustainability in the viability of projects that ICEA LION could support, but also impacted the socio-economic prosperity of East Africa.

We identified two key initiatives in this regard:

- The Nationwide Lion Census
- The Human-Wildlife Conflict Interventions

THE NATIONWIDE LION CENSUS:

A key need for lion conservation teams across the country is to determine exactly how many lions we do have in our eight conservation areas. The initial phase of our partnership with Kenya Wildlife Service (KWS) is to establish the actual population of lions in the entire country. This forms a baseline to determine the areas where the lion population is most vulnerable or at risk.

Prior to this, ICEA LION funded the KWS and Conservation Partners Methodologies and Standardisation Workshop to the tune of **Kshs. 0.46 Million.** The workshop was conceptualised to ensure that the project team is effective in use of resources (time and money) to get the most value out of the investment. Participants at the workshop ranged from KWS representatives from most of the eight conservation areas, Northern Rangelands Trust (NRT), Big Life Foundation, Mara Lion Project, Lion Guardians, Soysambu Conservancy, Born Free Foundation-Kenya, SORALO, Lewa Conservancy, Ol Pejeta Conservancy, WWF Kenya, Africa Wildlife Foundation, Action for Cheetahs in Kenya, Tsavo Trust, Ewaso Lions, Marwell and ICEA LION.

The pilot census was undertaken at Lake Nakuru National Park at an investment cost of **Kshs. 0.82 Million**. The exercise further realised skills transfer and creation of job opoportunities. As a result of the standardisation workshop, the originally planned eight census areas were reduced to five. This is a true testament of ICEA LION supporting sustainable initiatives and positively impacting the people, planet and profit.

HUMAN-WILDLIFE CONFLICT INTERVENTION:

Wealth creation strongly depends on consistency and sustainability, therefore we will be collaborating with communities within these areas working towards securing the future of the lion and in essence the future of our heritage. Indeed, there is no existence without co-existence.

In 2018, ICEA LION Group partnered with Lewa Wildlife Conservancy as an organisation that has truly embraced sustainable conservations initiatives. The Lewa Wildlife Conservancy is a UNESCO World Heritage Site that works as a model and catalyst for the conservation of wildlife and its habitat. Lewa protects and manages wildlife species, initiates and supports community conservation and development programmes, and educates the people of neighbouring areas about the value of wildlife.

One of Lewa Conservancy's mandates is the protection and management of threatened wildlife species including the lion that is currently categorised as "vulnerable" by the International Union for the Conservation of Nature (IUCN).

ICEA LION invested **Kshs. 0.472 Million** to facilitate their Predator Programme as well as Kshs. 3.515 Million towards their Conservation Education Programme. Further, the Group supported the Annual Lewa Marathon to the tune of **Kshs 0.7 Million.** We will continue to engage them and like-minded organisations that are keen on reduction of human-wildlife conflict.

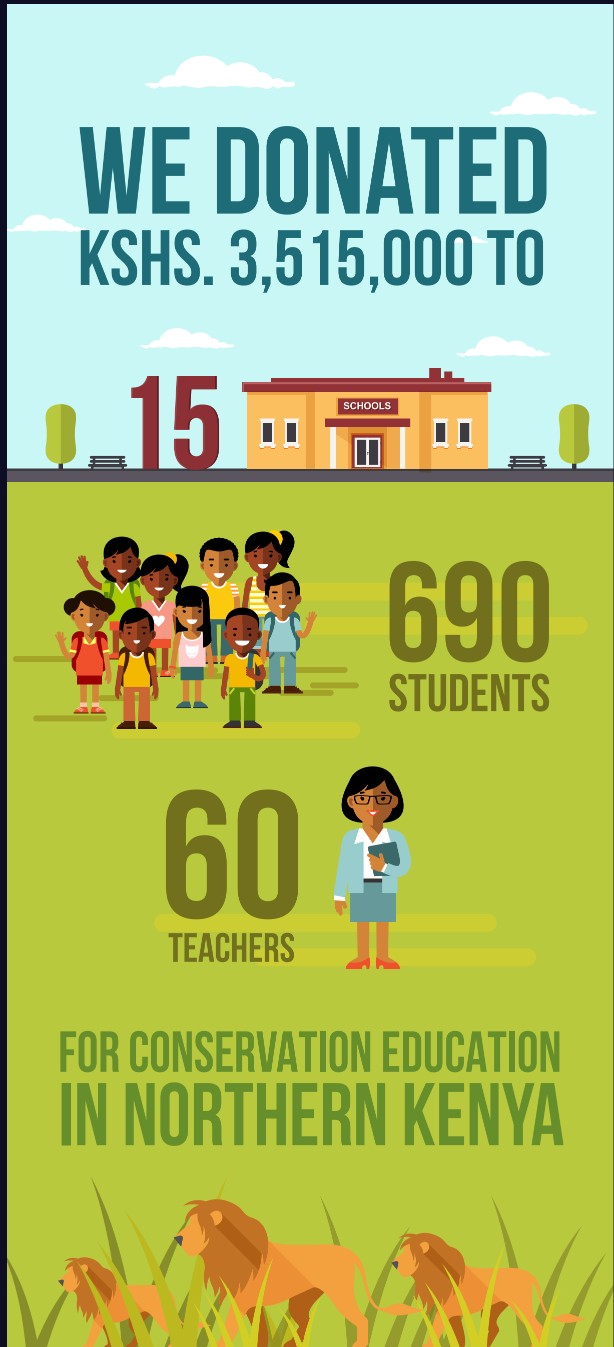
OUR SUPPORT OF LEWA'S CONSERVATION EDUCATION PROGRAMME

Lewa's Conservation Education Program (CEP) in 2011 seeks to increase the awareness of students about human activities such as indiscriminate killing, poaching and environmental degradation that damage and endanger northern Kenya's habitats and wildlife. Through the CEP, students:

- Learn the importance of wildlife and environmental conservation
- Link the impact of unsustainable human activities to the environment
- Develop a personal and societal commitment to conservation
- Promote environmental sustainability through changes in their action and attitudes

To achieve this, the CEP promotes conservation through guided game drives as well as interactive exhibits, on-site demonstrations, and presentations at the Conservation Education Centre. Throughout these interactions, the CEP communicates issues around wildlife conservation, environmental degradation, water conservation, waste management, and energy conservation as well as ways children and their communities can adopt environmentally-sound practices.

Students demonstrate the programme's impact by launching Conservation Clubs in their schools where they share what they have learned with other students, and initiate activities related to environmental conservation.



WITH OUR INVESTMENT OF KSHS. 3.515 MILLION, LEWA WILL UNDERTAKE THE FOLLOWING ACTIVITIES:

1. Sponsor and host 15 school groups from northern Kenya with 50 participants each to spend two nights at Lewa CEP Dormitory to learn about conservation challenges facing lions and their habitats. The students will have a guided game drive to track prides of lions, observe lion behaviour at close range, learn opportunities of coexistence, ways of reducing human-lion conflicts, and how to offer lions the space to range freely. The interactive exhibits at the Conservation Education Centre (that includes a mountain lion) will offer a valuable learning resource.

2. We will deliver an outreach programme to 30 schools that surround Lewa to deliver conservation lessons that reinforce the students' appreciation of lions in the environment and how humans and lions can co-exist in their community.

3. In addition, we will develop posters and other resources that highlight the challenges facing lions, their role in the environment, and how to co-exist with humans. These materials will be distributed to schools that visit Lewa as well as during the outreach programme.

To provide context, from 2016-2017, Lewa hosted 187 school groups with 7,703 students from northern Kenya. Such a large and diverse group of organised students present an audience to actively engage with messages about conservation and co-existence with wildlife. To further reach out to more schools groups in northern Kenya, Lewa aims to increase the number of students and schools in northern Kenya that participate in the CEP as well as facilitate the initiation of environmental projects in schools such as conservation of wildlife and their habitat.

OUR SUPPORT OF LEWA'S PREDATOR MONITORING PROGRAMME

Our investment of Kshs 472,000 will support Lewa's efforts to monitor carnivores on the conservancy; mainly focused on lions and hyenas. This is driven by the dominance of the two species in reference to their impact on other predators and the prey base.

Therefore, the main objectives of monitoring these carnivores are to:

1. Determine the status, population dynamics, survival, performance and movement patterns of the lions and hyenas:
2. Determine connectivity of lion populations on Lewa with those in northern Kenya
3. Understand spatial separation and competitive dynamics between lions and hyenas
4. Evaluate the impact of predation on prey species
5. Mitigate human-carnivores conflicts in the contiguous community conservation areas

As such, major activities to realize the aforementioned objectives will include:

1. Supporting the two predator monitoring officers who either walk several kilometres daily or drive across the landscape to monitor the location, status, behaviour and association patterns of lions;
2. Recollaring two lions from different prides with GPS collars so that they can act as reference points in the daily tracking
3. Daily radio-tracking of the collared individuals and prides
4. Using the cluster point method, daily visits to all kill sites to monitor mortality rates
5. Collecting and processing of lions scat to understand the composition of their diet
6. Camera trapping at hyena dens to understand the status and performance of hyenas as well as their interaction with lions
7. Camera trapping at the migratory gaps/gates to understand the connectivity of lion populations on Lewa and those in the adjoining conservation and community lands
8. Daily liaison with the agropastoralist and pastoralist communities to avert human-lion conflict incidents
9. Creating and updating of a digital identification database of lions using whisker spot patterns

ICEA LION TEAM CONSERVATION EDUCATION

“Charity begins at home” the old adage goes. As such, it is imperative that we impassion our family at ICEA LION to understand the intricacies of lion conservation. As a result, in 2018, we partnered with Lewa Wildlife Conservancy to immerse our staff at the Conservancy for two days to be sensitised on the cause. There, they had an opportunity to see programs instituted by Lewa and how these unsung heroes were transforming communities around them.

The team also had a chance to collect and examine scat in the lab to see how the team of researchers determine what the lions are eating. The Conservation Education Centre was a particular attraction. The trip achieved a lot of milestones, but most importantly the realisation that keeping these animals alive in their natural ecosystem has a direct impact on the country and the communities around them.

OUR ULTIMATE OBJECTIVE

The ultimate objective is to establish informed initiatives in the high risk areas that are relevant to the longevity of our lion population and essentially impact the creation of wealth through tourism. Our goal is to restore the pride, to bring focus to our heritage, the lion, as seen on our coat of arms as a symbol of strength, unity and security. The digital and social media space will be a critical factor in sharing this journey with lion enthusiasts, particularly the youth who are quite keen on conservation. Indeed, ICEA LION was recognised for its pursuit of sustainable CSR with the Winner Award at the industry Think Business Insurance Awards in 2018.

Our brand is known for providing reliable insurance solutions as well as rewarding investments. We seek to change the perception that money spent on insurance is a waste and rather have people understand that securing what is important to them is worth the investment. Our heritage is important to us. We wish to secure it. We are keen to make a difference and change customer perceptions around insurance and investment products beyond the actual impact on our heritage, economy and our future as a nation.

Most importantly, it is our mission to ensure that future generations are able to see lions roam the wild, and truly protect and create the wealth of East Africa.

SUPPORTING LOCAL ENTREPRENEURS & TALENT

ICEA LION is pleased to continue to positively contribute to creating wealth for local upcoming companies led by millennials. We retained the services of Isobar, a new and upcoming advertising agency. Indeed, in 2018, through a competitive bidding process that invited a cross-cutting repertoire of agencies; they retained our business allowing us to further our partnership on our communications journey. We were the second client on their portfolio and we took not only a chance on the young upcoming team but also gave them the opportunity to do unique, brave, impactful and indeed award winning creative work.

Since then, iProspect and Posterscope East Africa, Isobar's sister companies that offer Digital and Out-of-Home (OoH) Media services respectively have been brought on board to partner with us to support our brand visibility and engagement agendas. The three companies are divisions of the holding company Dentsu Aegis Network Team in Kenya. They agency has grown in the following ways thanks to the ICEA LION account being a launch pad:

1. The team has grown from 15 to 105
2. The Company has seen over 119% revenue growth Year-on-Year from 2016 to 2017, making them the fastest growing agency in East Africa; they have reported minimal Client losses and their Dentsu Aegis divisional brands have grown to include MKTG, CCS and Amplifi
3. The growth, development and learnings garnered from the ICEA LION Group account has resulted in internal promotions for our key contact from Account Manager to Senior Account Manager and from our digital media buying contact from Trader to Account Manager
4. Our agency won the following awards in 2018 associated with ICEA LION Group:

   The 2018 Association of Practitioners in Advertising (APA) Loeries Awards

   - Winner, Overall, Grand Prix Award, #BackYourFuture Campaign
   - Winner, Gold Award, Integrated Campaign, #BackYourFuture Campaign
   - Winner, Silver Award, Integrated Campaign, Travel Insurance Campaign

   They were also awarded the **Agency of the Year Award** at the APA Loeries, of which ICEA LION's campaigns were a significant contributor.

Other Awards the Agency has received in 2018 include:

1. Isobar won 10 Awards at the African Cristal Advertising & Media Awards
2. Dentsu Aegis Network was awarded Media Agency of the Year

Within the Dentsu Aegis Network, the Kenyan agency swept the Dentsu Aegis Network Sub-Saharan Awards by winning:

1. Best Isobar Office of the Year; 2017 and 2018
2. Best Dentsu Aegis Network Company of the Year 2017
3. Isobar MD Yash Deb won the Dentsu Aegis Network Lion Award 2018 and Star of the Year 2018
4. iProspect MD Joel Rao won the Dentsu Aegis Network Pioneering Award 2018

ICEA LION is proud to play a part in developing local talent, providing employment and most importantly inspiring millennials to realise their true potential, therefore truly protecting and creating the wealth of East Africa.

MANUFACTURED CAPITAL

05

GEOGRAPHICAL FOOTPRINT

Our manufactured capital includes our geographical footprint covering our head office, subsidiaries and branches as shown on page 12 of this report.

It also includes our digital channels such as website and mobile apps. Our branch network also acts as a distribution network reaching devolved units within the counties.

We own the following 5 properties listed below:

- Riverside Park, Residential Apartments
- Riverside Park, ICEA LION Centre East Wing (hosts our Head Office) and West Wing (hosts our Tenants)
- Clanson Court
- Rosslyn Estate
- St. Austins Gardens

We have leased 22 other properties that host our branches in Kenya and our subsidiaries in Uganda

St. Austin's Gardens

Riverside Park

Our ICT system infrastructure includes servers, core systems, utilities, IP telephony and security systems all of which are governed by a well-structured ICT governance model. We have invested heavily in infrastructure over the past few years, an essential component in building efficacy and efficiencies within our business model.

Our ICT Platforms and Infrastructure

At ICEA LION we believe that for a company to thrive in this fast paced and dynamic market, change must be the constant. We understand that we have to prepare to thrive in this continually changing and evolving landscape in order to meet and exceed customer expectations. We aim to continuously support creativity within the business while driving acceleration of the organisation's ambitious innovation and growth plan. It is our aim to propel our company to new heights by refining our operating model, improving customer engagement and time-to-market as well as increasing revenue as we reduce operating expenses. More than ever, our company is focused on innovation and growth to actualise the strategy across the business while ensuring value creation. ICT plays a key factor in realising this goal.

We believe that every good plan must begin by a workable roadmap. We put a lot of thought into ensuring that our strategy is in bite-sized pieces that allow staff to understand and enhance customer communication, relationship building, knowledge management, operational efficiency and effectiveness which if well executed will put us on the road for growth. The road map ensures that the business has a backbone with which to support these pillars. We also ensure that our corporate governance is efficient and that we have reliable infrastructure, stable and robust core business systems, and enhanced security to safeguard innovative initiatives. Our ICT system infrastructure (servers, core systems, utilities, IP telephony and security asystems) is governed by a well-structured ICT governance model.

Robust Infrastructure	CRM Solution Zoho	Social Media Platforms	Live Chat	Website
Contact Centre	Business Process Re-engineering	Data Security	Cyber Security	Electronic Data Management System
Business Intelligence Portals	Robust Financial Systems	Analytics Capabilities	Governance Risk & Controls Module	ILMS Life Management System
Mobile Platforms	HR Module ZOHO People	Intranet	Cloud Based Solution	Unified Threat Management Solutions
Cloud Based Solutions	Shared Economy Model	Boardvantage	Data Centre	

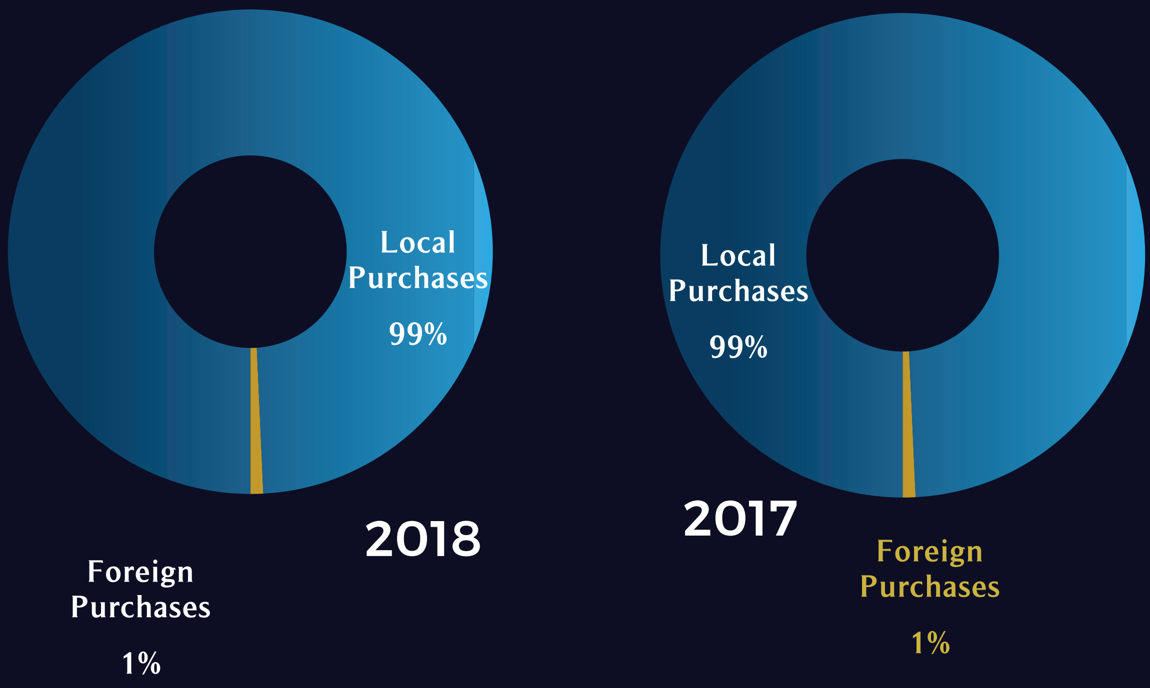
FINANCIAL
CAPITAL
06

CREATING IN COUNTRY-VALUE THROUGH OUR FINANCIAL CAPITAL

Taxes Paid

ICEA LION's contribution to economic sustainability in terms of payments to government in the form of taxes has been close to Kshs. 1billion over the past five years as shown on the value statement below.

Supporting local suppliers when procuring any goods and services is our first choice provided they can meet all the key criteria. The trend over the past three years shows a heavy bias towards local suppliers. In 2017 and 2018, 99% of our purchases was spent on local suppliers. Our supply chain strategy is to engage with our suppliers and commit to our procurement, sustainability and environmental charters as we embed the principles of sustainable insurance across the entire value chain. We believe that together we can deliver economic solutions to support both our business as well as to ensure the continued socio-economic growth of Kenya.

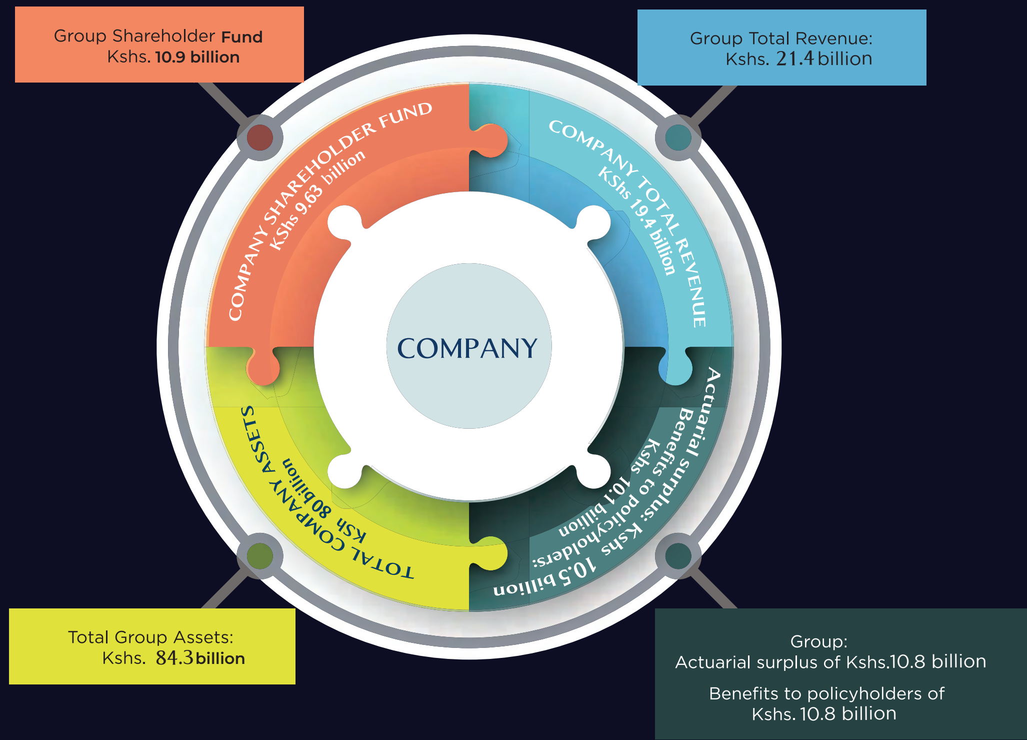


VALUE CREATION

Financial Capital

The funding for the Company's operations comes from shareholders and proceeds from investing activities. The funds are used to run the activities of the Company and generate value for our stakeholders.

During the year, we complied with all the capital requirements we are subject to under the Risk Based Capital Supervision Model by the Insurance Regulatory Authority.



VALUE ADDED STATEMENT

GROUP					
	2018	2017	2016	2015	2014
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Gross written premiums & interest income	13,585	16,789	10,627	9,065	9,479
Less; Insurance ceded and costs of other services	1,496	1,373	1,196	1,303	1,188
Wealth created:	12,088	15,416	9,432	7,762	8,291
DISTRIBUTION:					
Employees - salaries, wages and other benefits	915	782	748	701	594
Benefits to Sales Agents	830	799	719	674	593
Benefits and interest payment to policy holders	10,782	12,513	3,930	5,504	5,553
Taxes paid to Government	(268)	25	751	115	349
Dividends to Shareholders	200	200	460	200	200
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation and Amortisation	75	107	115	93	43
Retained Earnings	(446)	990	2,708	475	959
Total distribution:	12,088	15,416	9,432	7,762	8,291

COMPANY					
	2018	2017	2016	2015	2014
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Gross written premiums & interest income	11,473	14,737	8,898	7,317	7,954
Less; Insurance ceded and costs of other services	805	694	609	698	584
Wealth created:	10,667	14,043	8,289	6,620	7,370
DISTRIBUTION:					
Employees - salaries, wages and other benefits	519	453	431	426	396
Benefits to Sales Agents	614	570	500	469	393
Benefits and interest payment to policy holders	10,101	12,085	545	5,110	5,267
Taxes paid to Government	(309)	(23)	699	85	299
Dividends to Shareholders	200	200	460	200	200
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation and Amortisation	53	82	93	77	34
Retained Earnings	(511)	675	2,561	253	780
Total distribution:	10,667	14,043	8,289	6,620	7,370

CHIEF FINANCE OFFICER'S STATEMENT

2018 was a challenging year across the entire industry in the wake of increased insurance risk margins for life assurance companies and implementation of IFRS 9, Financial Instruments; both of which have negatively impacted financial performance. The poor performance on the equities listed in the Nairobi Securities Exchange (NSE) also negatively impacted our 2018 performance.

The Group reported a net Loss Before Tax of Kshs 412 million in 2018 compared to a Profit Before Tax of Kshs 1,215 million in 2017. This was on account of an increased insurance risk margin from 15% in 2017 to 20% in 2018 and the poor performance recorded in the equities quoted in the NSE. The increase in insurance risk margin in 2018 led to a decline in Profit Before Tax by Kshs 818 million while the poor performance in the NSE led to an unrealised loss of Kshs 1.33 billion. The Actuarial Society of Kenya carried out an impact assessment in respect of the insurance risk margins and engaged Insurance Regulatory authority who affirmed that the 20% insurance risk margin is not sustainable for our Kenyan market and have commenced the regulatory review process to legislate the margins of 10% which will see Life Assurance companies return to profitability in 2019 and beyond.

The Group balance sheet remained strong recording a growth of 14% to close the year at Kshs 84.3 billion. Despite the reduced profitability all other Group key performance parameters largely remained stable.

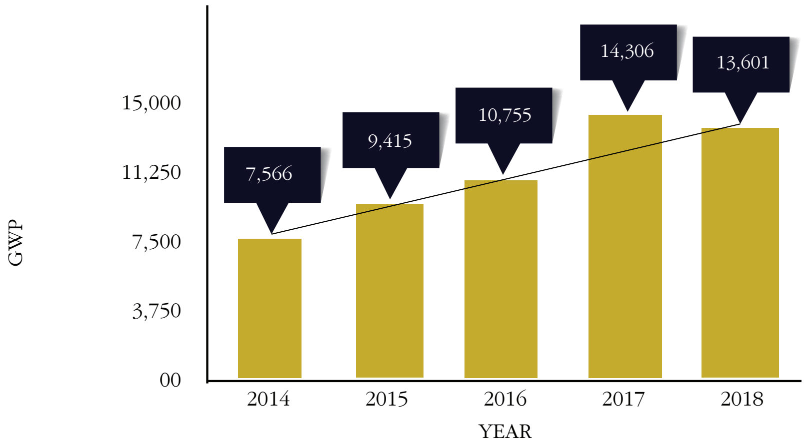
During the year the Group implemented International Financial Reporting Standard (IFRS) 9, which became effective 1 January, 2018. This accounting standard requires recognition of losses before they actually occur which will require insurance Companies to increase provisioning for areas that are deemed to be of higher risk.

Looking forward to 2019 and in line with the Group strategic plan, our strategy is to drive digitisation of our reporting frameworks, with the aim of delivering better business insights and facilitating swifter decision-making. We shall focus on the adoption of high-performance analytical tools supported by a well governed data foundation to drive smarter decisions across the organisation to deliver value to all our stakeholders.

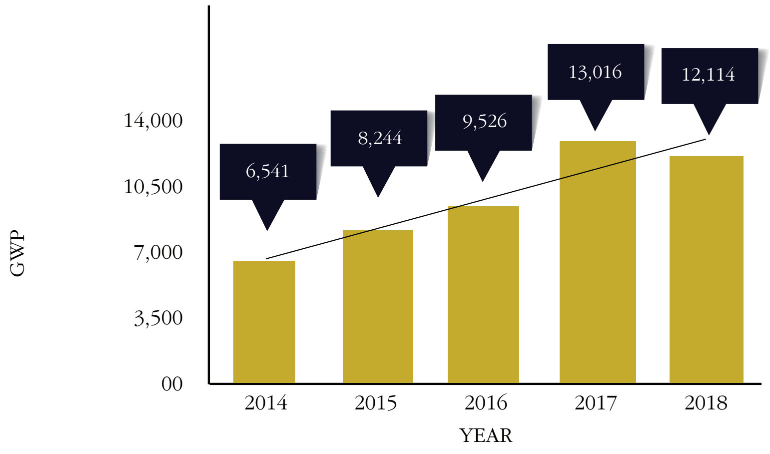
"Our strategy is to drive digitisation of our reporting frameworks, with the aim of delivering better business insights and facilitating swifter decision-making."

RONALD NYAMOSI

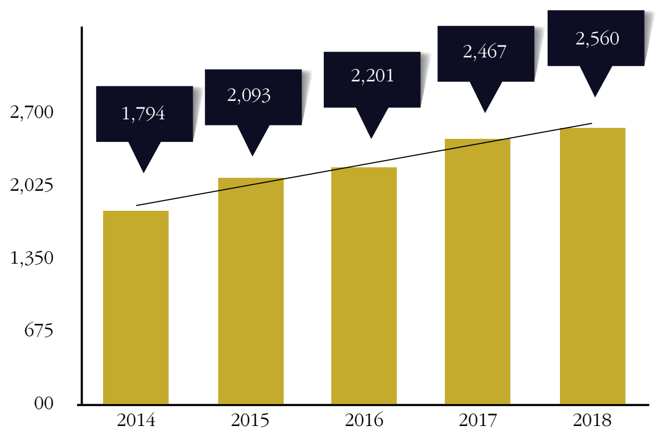
Group GWP



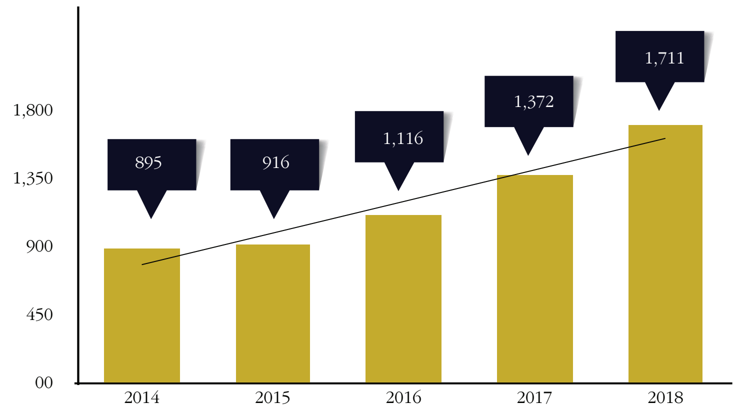
Company GWP



Group Operating Expenses

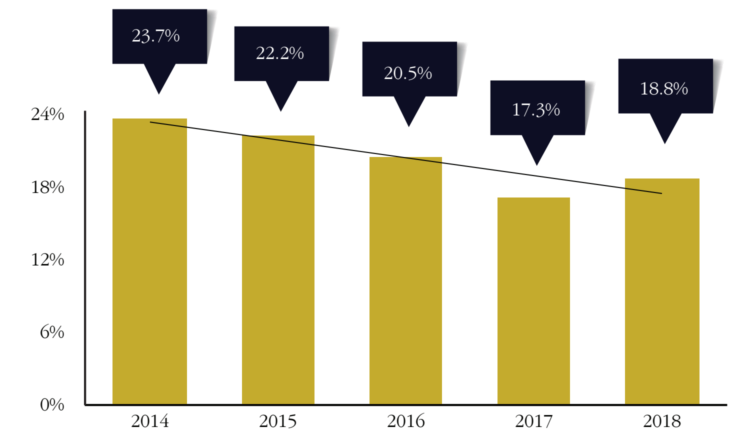


Company Operating Expenses

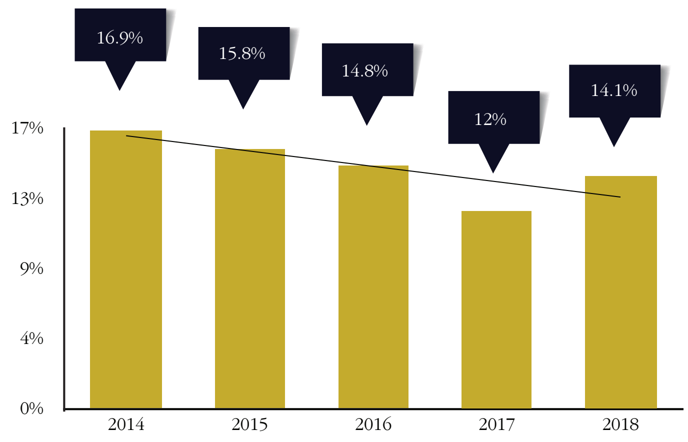


(Chart figures in Kshs Millions)

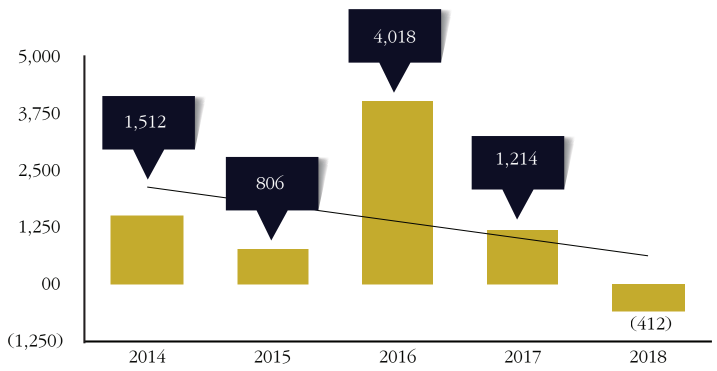
Group Total Expenses Ratio



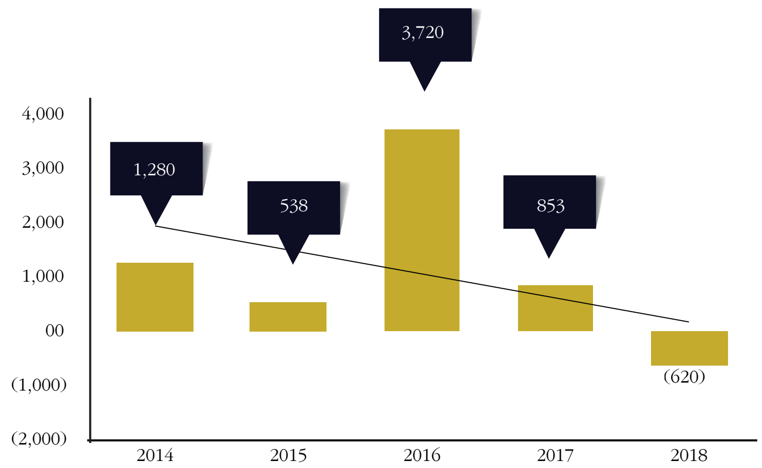
Company Total Expenses Ratio



Group (Loss)/Profit Before Tax

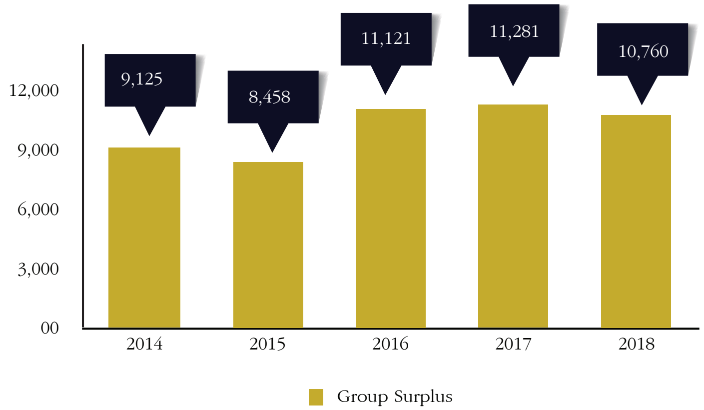


Company (Loss)/Profit Before Tax

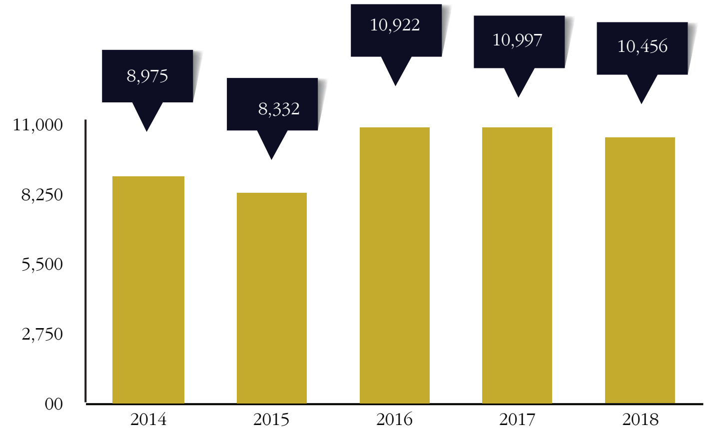


(Chart figures in Kshs Millions)

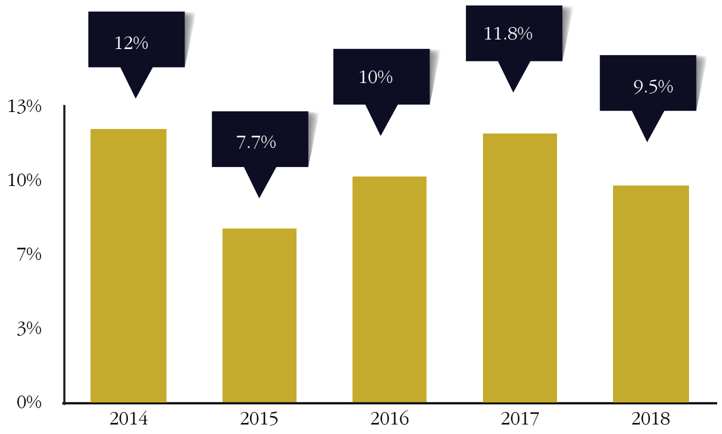
Group Actuarial Surplus



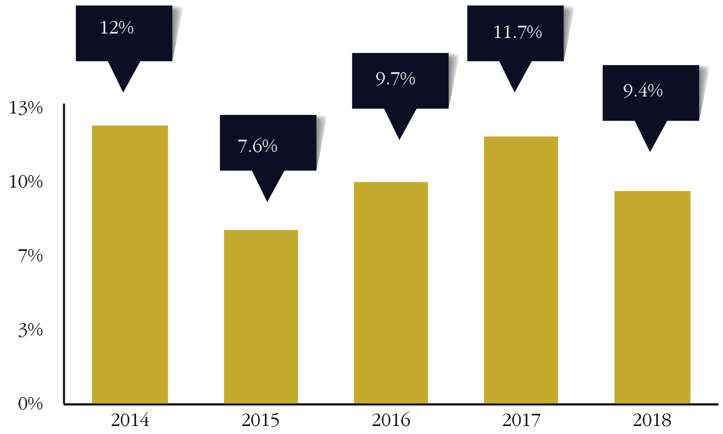
Company Actuarial Surplus



Group Return on Investments

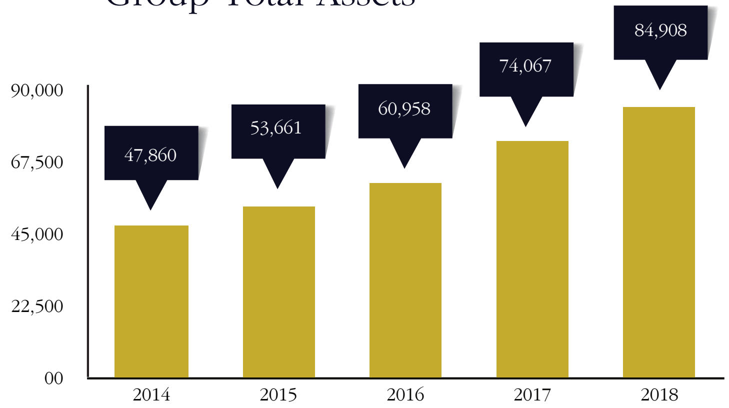


Company Return on Investments

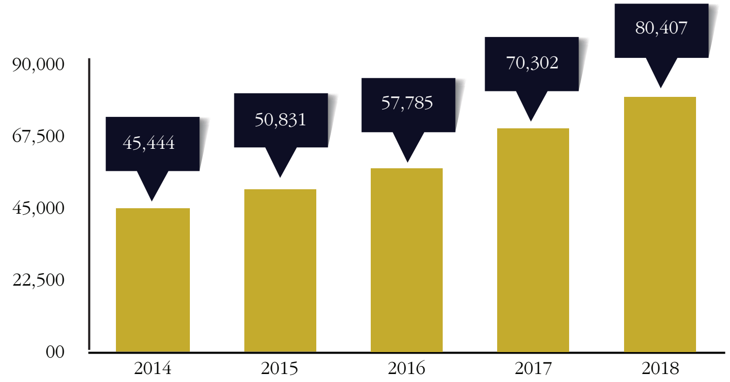


(Chart figures in Kshs Millions)

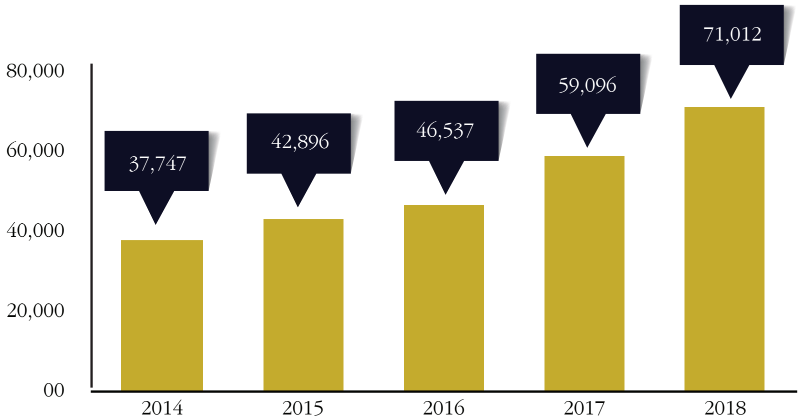
Group Total Assets



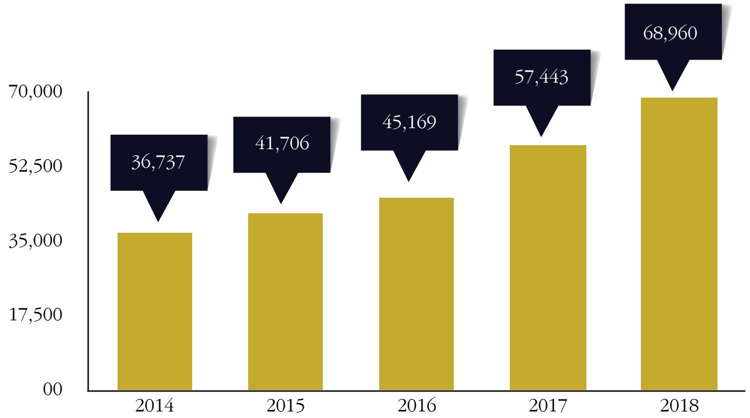
Company Total Assets



Group Life Fund



Company Life Fund



(Chart figures in Kshs Millions)

FINANCIAL HIGHLIGHTS (CONTINUED)

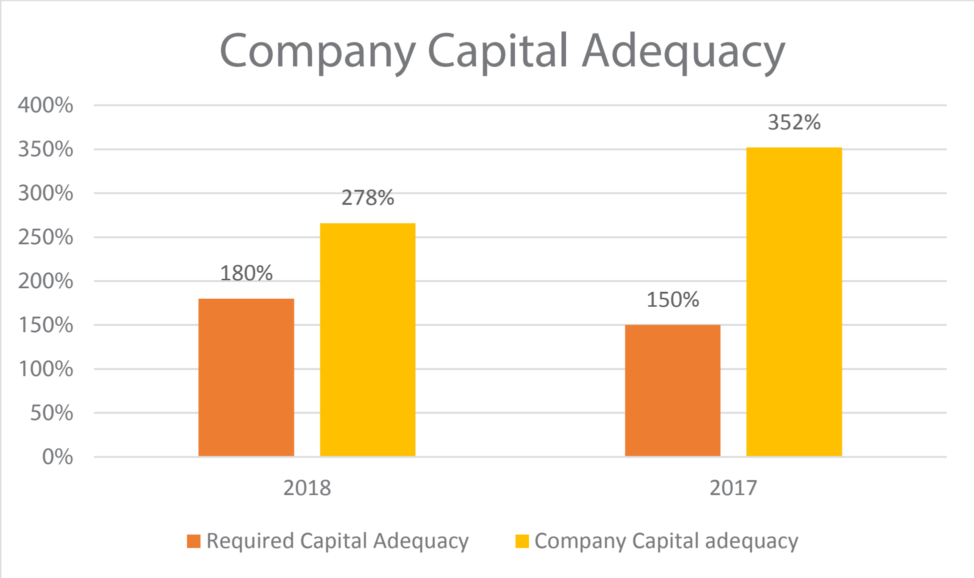
STATEMENT OF COMPREHENSIVE INCOME

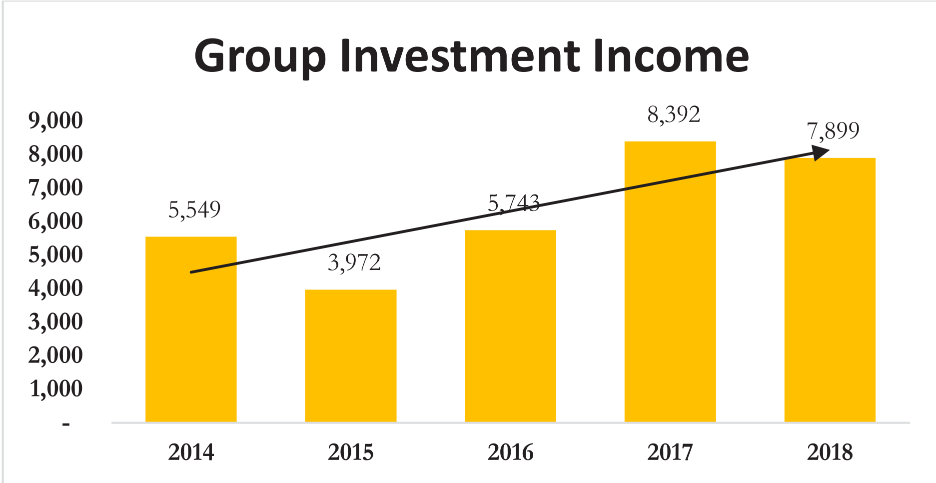
	GROUP						COMPANY				
Kshs billions	2018	2017	2016	2015	2014		2018	2017	2016	2015	2014
Total Income	12,878	16,195	10,150	8,803	8,858		11,192	14,506	8,678	7,020	7,663
Net claims & benefits payable	10,782	12,513	3,930	5,504	5,553		10,101	12,085	3,545	5,110	5,267
Total Expenses	2,674	2,467	2,201	2,093	1,793		1,711	1,568	1,413	1,372	1,116
profit/(loss) before tax	(412)	1,215	4,018	806	1,512		(620)	853	3,720	538	1,280
Income Tax	268	(25)	(751)	(115)	(349)		309	23	(699)	(85)	(299)
profit/(loss) after tax	(144)	1,189	3,267	691	1,163		(311)	875	3,021	453	980
Other comprehensive Income	(102)	1	(99)	(16)	(4)						
Total Comprehensive Income	(246)	1,190	3,168	675	1,159		(311)	875	3,021	453	980

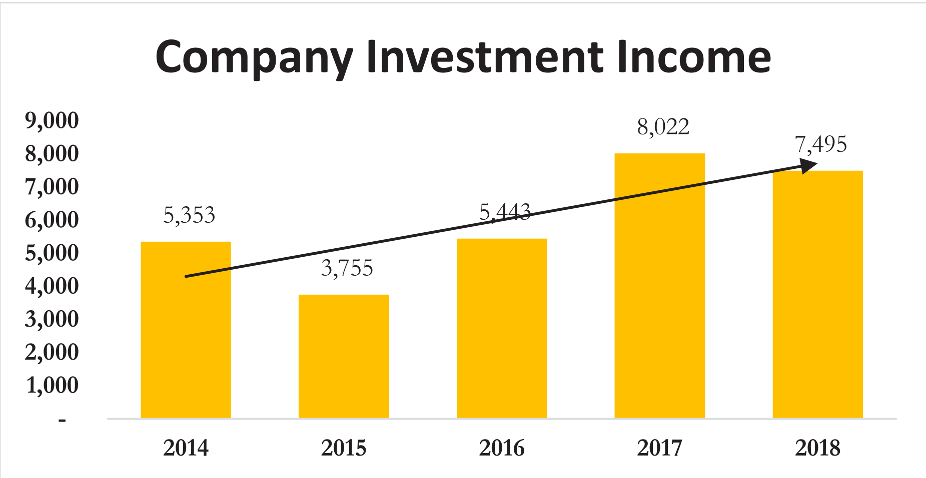
FINANCIAL HIGHLIGHTS (CONTINUED)

STATEMENT OF FINANCIAL POSITION

	Group					Company				
Kshs billions	**2018**	**2017**	**2016**	**2015**	**2014**	**2018**	**2017**	**2016**	**2015**	**2014**
Assets										
Investment property	10,534	10,276	9,882	9,105	10,000	10,534	10,276	9,882	9,105	10,000
Government securities	57,134	48,149	38,172	29,684	24,710	54,913	46,472	36,994	28,647	24,052
Deposits with financial institutions	4,421	5,176	3,853	4,283	2,485	3,652	4,529	3,121	3,678	1,802
Equities	6,833	6,162	5,149	5,660	5,994	6,738	6,162	5,149	5,559	5,931
Other Assets	5,421	4,303	3,900	4,929	4,671	4,227	2,863	2,639	3,791	3,659
Total	**84,343**	**74,067**	**60,958**	**53,661**	**47,860**	**80,064**	**70,302**	**57,785**	**50,780**	**45,444**
Liabilities;										
Insurance contract liabilities	22,495	17,426	10,735	12,371	11,569	20,813	16,322	9,846	11,406	9,822
Payable under deposit administration	48,764	41,617	35,722	31,006	27,596	48,813	40,786	35,031	30,418	27,045
Deferred tax	1,136	1,617	1,795	1,276	1,319	1,136	1,617	1,795	1,276	1,321
Other liabilities	1,046	1,875	2,164	1,175	17	675	1,363	1,574	703	531
Total liabilities	**73,442**	**62,534**	**50,416**	**45,828**	**40,501**	**70,437**	**60,087**	**48,246**	**43,803**	**38,719**
Total Equity	10,901	11,532	10,542	7,834	7,359	9,627	10,214	9,539	6,978	6,725
Total Liabilities and Equity	**84,343**	**74,067**	**60,958**	**53,661**	**47,860**	**80,064**	**70,302**	**57,785**	**50,780**	**45,444**







(Chart figure in Kshs Millions)

2018 Audited Financial Statements

REPORT OF DIRECTORS

The directors have the pleasure of presenting their report together with the audited financial statements of ICEA LION Life Assurance Company Limited (the "Company'') and its subsidiaries (the "Group'') for the year ended 31 December 2018.

BUSINESS REVIEW

The principal activities of the Group is the transaction of life insurance business and pension schemes administration in Kenya and the transaction of general insurance business and life insurance business and pension scheme administration in Uganda. The Group and Company's 5 years financial highlights including ratios are summarised on pages 116 to 123.

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk, the effects of changes in debt and equity market prices, and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. These policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsures. Investment policies are in place, which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit and risk and compliance functions help to ensure that these policies are followed. Group's risk management objectives and policies are detailed in Note 4 and pages 81 to 89.

RESULTS

	Long-term business Shs' 000	Short-term business Shs' 000	2018 Total Shs' 000	2017 Total Shs' 000
(Loss)/Profit before income tax	(714,866)	302,635	(412,231)	1,214,873
Income tax expense	378,327	(110,344)	267,983	(25,481)
(Loss)/Profit for the year	**(336,539)**	**192,291**	**(144,248)**	**1,189,392**

DIVIDENDS

Net loss for the year of Shs 144,248,000(2017: Shs 1,189,392,000 profit) has been deducted to retained earnings. During the year, no interim dividend was paid (2017: Shs 200 million). The directors recommend a final dividend of Shs 10 per share amounting to Shs 250 million (2017: Shs 8.89 per share amounting to Shs 200 million).

DIRECTORS

The directors who held office during the year and to the date of this report are set out on pages 21 to 30.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

TERMS OF APPOINTMENT OF AUDITORS

PricewaterhouseCoopers continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By Order of the Board

SECRETARY
19 March 2019
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- selecting suitable accounting policies and then apply them consistently; and
- making judgements and accounting estimates that are reasonable in the circumstances

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

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

Approved by the board of directors on 19 March 2019 and signed on its behalf by:

J P M Ndegwa

Chairman

A S M Ndegwa

Director

REPORT OF THE PARENT COMPANY CONSULTING ACTUARY

I have conducted an actuarial valuation of the long term business of ICEA LION Life Assurance Company Limited and ICEA Life Assurance Company Limited as at 31 December 2018.

The valuations were conducted in accordance with generally accepted actuarial principles and the requirements of the Kenyan and Uganda Insurance Acts. Those principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuations, I have relied upon the audited financial statements of the companies.

In my opinion, the long term business of the companies were financially sound and the actuarial value of the liabilities in respect of all classes of long term insurance business did not exceed the amount of funds of the long term business at 31 December 2018.

James I. O. Olubayi - Fellow of the Institute of Actuaries

26 March 2019

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ICEA LION LIFE ASSURANCE COMPANY LIMITED

Report on the audit of the financial statements

Our Opinion

We have audited the accompanying financial statements of ICEA LION Life Assurance Company Limited (the Company) and its subsidiary (together, the Group) set out on pages 132 to 208, which comprise the consolidated statement of financial position at 31 December 2018 and the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of ICEA LION Life Assurance Company Limited give a true and fair view of the financial position of the Group and the Company at 31 December 2018 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

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

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICEA LION LIFE ASSURANCE COMPANY LIMITED (continued)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Valuation of policyholder liabilities Policyholder liabilities as disclosed in Notes 30 to the financial statements are of significant magnitude (Shs 22,053 million) to the overall financial statements. There are several methods which can be adopted in the determination of these reserves which are underpinned by a series of assumptions, and which are also subject to the requirements of the Insurance Acts in Kenya and Uganda. Changes in these assumptions can lead to significant changes in actuarial liabilities. The methodology used can also have a material impact on the valuation of the liabilities. The valuation of policyholder liabilities was considered to be a key audit matter due to magnitude of the balance and the estimation uncertainty involved in determining the liabilities.	We engaged our actuarial specialists to assess the reasonableness of the actuarial assumptions, including the consideration and challenge of management's rationale for the judgments applied. Our audit work included: • evaluating the reasonableness of the methodology and assumptions used by comparing them against regulatory requirements, recognised actuarial practices and industry standards; and • obtaining audit evidence in respect of the key data inputs into the estimation process

Other information

The directors are responsible for the other information. The other information comprises the information included in the integrated report but does not include the financial statements and our auditor's report thereon.

The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the directors of the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICEA LION LIFE INSURANCE COMPANY LIMITED (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, butnot for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- 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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors' on page 125 to 126 is consistent with the financial statements.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi
CPA Bernice Kimacia, Practising certificate No. 1457. **29 March 2019**
Signing partner responsible for the independent audit

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	Long term business 2018 Ksh '000	Short term business 2018 Ksh '000	Total 2018 Ksh '000	Long term business 2017 Ksh '000	Short term business 2017 Ksh '000	Total 2017 Ksh '000
Gross earned premiums	5	4,451,130	583,119	5,034,249	6,980,061	553,384	7,533,445
Less: reinsurance premiums ceded		(350,547)	(292,388)	(642,935)	(301,695)	(291,646)	(593,341)
		4,100,583	**290,731**	**4,391,314**	**6,678,366**	**261,738**	**6,940,104**
Net earned premiums							
Investment income	6	7,706,557	192,748	7,899,305	8,164,745	227,304	8,392,049
Commissions earned		63,791	461,718	525,509	96,219	429,317	525,536
Other operating income	7	37,541	21,388	58,929	157,234	8,661	165,895
Foreign exchange gain		1,398	1,617	3,015	5,679	(163)	5,516
Total investment and other income		**7,809,287**	**677,471**	**8,486,758**	**8,423,877**	**665,119**	**9,088,996**
Claims and policy holder benefits		10,668,743	225,280	10,894,023	12,490,511	193,422	12,683,933
Less: amounts recoverable from reinsurers		(47,057)	(65,090)	(112,147)	(84,182)	(86,935)	(171,117)
Net claims incurred	**8**	**10,621,686**	**160,190**	**10,781,876**	**12,406,329**	**106,487**	**12,512,816**
Commissions payable		732,827	97,669	830,496	681,882	117,180	799,062
Other operating expenses	9	1,270,675	573,101	1,843,776	1,161,882	506,221	1,668,103
Total expenses		**2,003,502**	**670,770**	**2,674,272**	**1,843,764**	**623,401**	**2,467,165**
Results of operating activities		(715,318)	137,242	(578,076)	852,150	196,969	1,049,119
Loss on purchase of associate companies	19	-	(24,811)	(24,811)			
Share of profit of associate, net of tax	19	452	190,204	190,656	-	165,754	165,754
(Loss)/Profit before income tax		**(714,866)**	**302,635**	**(412,231)**	**852,150**	**362,723**	**1,214,873**
Income tax expense	10	378,327	(110,344)	267,983	17,481	(42,962)	(25,481)
(Loss)/Profit for the year attributable to owners of the company		**(336,539)**	**192,291**	**(144,248)**	**869,631**	**319,761**	**1,189,392**
Other comprehensive income, net of tax: Items that may subsequently be reclassified to profit or loss							
Fair value gain arising on revaluation on available for sale financial assets		-	-	-	(7,406)	29,781	22,375
Exchange differences in translating foreign operations		(64,843)	(36,887)	(101,730)	4,597	(25,871)	(21,274)
Other comprehensive income; net of tax		**(64,843)**	**(36,887)**	**(101,730)**	**(2,809)**	**3,910**	**1,101**
Total comprehensive (loss)/income for the year attributable to owners of the company		**(401,382)**	**155,404**	**(245,978)**	**866,822**	**323,671**	**1,190,493**
	11			(6.41)			52.86

The notes on pages 139 to 208 are an integral part of these financial statements

COMPANY STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	Long term business 2018 Ksh '000	Short term business 2018 Ksh '000	Total 2018 Ksh '000	Long term business 2017 Ksh '000	Short term business 2017 Ksh '000	Total 2017 Ksh '000
Gross earned premiums	5	3,834,156	-	3,834,156	6,423,710	-	6,423,710
Less: reinsurance premiums ceded		(280,867)	-	(280,867)	(231,330)	-	(231,330)
Net earned premiums		**3,553,289**		**3,553,289**	**6,192,380**	**-**	**6,192,380**
Investment income	6	7,395,523	98,982	7,494,505	7,875,924	146,445	8,022,369
Commissions earned		106,076	-	106,076	129,073	-	129,073
Other operating income	7	36,577	1,387	37,964	156,708	5,432	162,140
Total investment and other income		**7,538,176**	**100,369**	**7,638,545**	**8,161,705**	**151,877**	**8,313,582**
Claims and policy holder benefits payable		10,126,711	-	10,126,711	12,163,151	-	12,163,151
Less: amounts recoverable from reinsurers		(25,993)	-	(25,993)	(78,354)	-	(78,354)
Net claims payable	**8**	**10,100,718**	**-**	**10,100,718**	**12,084,797**	**-**	**12,084,797**
Commissions payable		614,378	-	614,378	570,324	-	570,324
Operating and other expenses	9	1,096,514	73	1,096,587	997,783	125	997,908
Total expenses		**1,710,892**	**73**	**1,710,965**	**1,568,107**	**125**	**1,568,232**
(Loss)/Profit before income tax		**(720,145)**	**100,296**	**(619,849)**	**701,181**	**151,752**	**852,933**
Income tax expense	10	331,908	(23,057)	308,851	62,380	(39,875)	22,505
(Loss)/Profit for the year		**(388,237)**	**77,239**	**(310,998)**	**763,561**	**111,877**	**875,438**
Other comprehensive income							
Total comprehensive (loss)/income for the year		**(388,237)**	**77,239**	**(310,998)**	**763,561**	**111,877**	**875,438**
	11			(13.82)			38.91

The notes on pages 139 to 208 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

ICEA LION
LIFE ASSURANCE

ASSETS	Notes	Long term business 2018 Ksh '000	Short term business 2018 Ksh '000	Total 2018 Ksh '000	Long term business 2017 Ksh '000	Short term business 2017 Ksh '000	Total 2017 Ksh '000
Investment properties	16	9,288,000	1,246,000	10,534,000	9,036,000	1,240,000	10,276,000
Motor vehicle and equipment	14	122,143	31,855	153,998	133,294	37,187	170,481
Intangible assets	15	14,728	776	15,504	18,232	2,293	20,525
Investment in associates	19	-	1,417,375	1,417,375	-	1,051,627	1,051,627
Deferred taxation	34	-	56,055	56,055	-	104,273	104,273
Mortgage loans	21(a)	531,772	-	531,772	493,758	-	493,758
Policy loans	21(b)	568,209	-	568,209	547,182	-	547,182
Government securities:							
- held to maturity	26	36,286,246	387,763	36,674,009	43,156,663	466,436	43,623,099
- held for trading	26	20,227,019	233,196	20,460,215	4,291,818	234,047	4,525,865
Corporate bonds held to maturity	25	1,380,132	2,062	1,382,194	1,429,498	4,879	1,434,377
Corporate bonds held at FVTPL	25	39,335	-	39,335	-	-	-
Kenya motor pool balances	20	-	46,944	46,944	-	45,450	45,450
Equity securities:							
- available for sale	17	-	-	-	76,582	11,162	87,744
- at fair value through profit or loss	17	6,821,684	11,298	6,832,982	6,162,425	-	6,162,425
Statutory deposits		28,396	36,856	65,252	24,963	34,806	59,769
Deferred acquisition costs	22		41,439	41,439	-	33,542	33,542
Receivables arising out of reinsurance arrangements		14,415	83,610	98,025	21,050	185,030	206,080
Receivables arising out of direct insurance arrangements			70,403	70,403	-	114,847	114,847
Reinsurers' share of insurance contracts liabilities	23	31,518	281,944	313,462	47,067	128,139	175,206
Current income tax		45,916	52,651	98,567	45,329	30,342	75,671
Other receivables	24	282,638	117,965	400,603	411,476	170,488	581,964
Due from long term business		(337,356)	337,356	-	(353,455)	353,455	-
Deposits with financial institutions	27	3,760,267	661,142	4,421,409	3,333,747	408,146	3,741,893
Cash and bank balances		88,128	33,439	121,567	136,648	44,650	181,298
Total Assets		**79,193,190**	**5,150,129**	**84,343,319**	**69,012,277**	**4,700,799**	**73,713,076**
EQUITY AND LIABILITIES							
Equity							
Ordinary shares	28	150,000	300,000	450,000	150,000	300,000	450,000
Statutory reserve	12	6,830,600	269,474	7,100,074	7,593,155	270,177	7,863,332
Revaluation reserve	12	9,145	(9,145)	-	9,145	56,248	65,393
Translation reserve	12	(64,843)	(277,531)	(342,374)	4,597	(245,241)	(240,644)
Retained earnings		79,021	3,364,473	3,443,494	67,529	3,126,832	3,194,361
Proposed dividends		-	250,000	250,000	-	200,000	200,000
Total Equity		**7,003,923**	**3,897,271**	**10,901,194**	**7,824,426**	**3,708,016**	**11,532,442**
LIABILITIES							
Current income tax		19,166	-	19,166	-	-	-
Unearned premiums	29	-	134,581	134,581	-	126,289	126,289
Other payables	33	596,936	233,117	830,053	534,412	261,846	796,258
Payables arising from reinsurance arrangements		4,009	141,927	145,936	21,933	86,473	108,406
Payables arising from direct insurance arrangements		-	50,808	50,808	-	50,808	50,808
Payable under deposit administration contracts	32(a)	48,764,306	-	48,764,306	41,616,647	-	41,616,647
Payables under unit linked policies	32(b)	307,348	-	307,348	439,693	-	439,693
Insurance contract liabilities	30	21,616,278	437,174	22,053,452	17,212,035	213,723	17,425,758
Deferred income tax	34	881,224	255,251	1,136,475	1,363,131	253,644	1,616,775
Total Liabilities		**72,189,267**	**1,252,858**	**73,442,125**	**61,187,851**	**992,783**	**62,180,634**
Total Equity and Liabilities		**79,193,190**	**5,150,129**	**84,343,319**	**69,012,277**	**4,700,799**	**73,713,076**

The financial statements on pages 132 to 208 were approved and authorised by the board of directors on 19 March 2019 and were signed on its behalf by:

J P M Ndegwa - Chairman

A S M Ndegwa - Director

J M Mutiga - Principal officer

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	Long term business 2018 Ksh '000	Short term business 2018 Ksh '000	Total 2018 Ksh '000	Long term business 2017 Ksh '000	Short term business 2017 Ksh '000	Total 2017 Ksh '000
Investment properties	16	9,288,000	1,246,000	10,534,000	9,036,000	1,240,000	10,276,000
Motor vehicle and equipment	14	91,422	-	91,422	94,985	-	94,985
Intangible assets	15	14,728	-	14,728	18,232	-	18,232
Investment in subsidiaries	18	9,823	683,101	692,924	9,823	488,101	497,924
Investment in associate	19	-	553,922	553,922	-	328,567	328,567
Deferred income tax	34	-	50,982	50,982	-	50,982	50,982
Mortgage loans	21(a)	531,772	-	531,772	493,758	-	493,758
Policy loans	21(b)	472,769	-	472,769	469,627	-	469,627
Government securities held to maturity	26	34,685,845	-	34,685,845	41,874,486	305,576	42,180,062
Government securities held for trading	26	20,227,019	-	20,227,019	4,291,818	-	4,291,818
Corporate bonds held to maturity	25	1,380,132	-	1,380,132	1,429,498	-	1,429,498
Kenya motor pool balances	20		46,944	46,944	-	45,450	45,450
Equity investments at fair value through profit or loss	17	6,738,294	-	6,738,294	6,162,425	-	6,162,425
Corporate bonds at fair value through profit or loss	25	39,335	-	39,335	-	-	-
Receivables arising out of reinsurance arrangements		14,415	-	14,415	21,050	-	21,050
Reinsurers' share of insurance liabilities	23	12,108	-	12,108	9,023	-	9,023
Other receivables	24	243,594	44,015	287,609	366,808	46,863	413,671
Current income tax		-	20,275	20,275	4,684	14,402	19,086
Due from long term business		(337,356)	337,356	-	(353,455)	353,455	-
Deposits with financial institutions	27	3,331,358	320,566	3,651,924	2,929,183	170,410	3,099,593
Cash and bank balances		14,120	3,340	17,460	45,978	762	46,740
Total Assets		**76,757,378**	**3,306,501**	**80,063,879**	**66,903,923**	**3,044,568**	**69,348,491**
EQUITY AND LIABILITIES							
Equity							
Ordinary shares	28	150,000	300,000	450,000	150,000	300,000	450,000
Statutory reserve	12	6,623,662	-	6,623,662	7,437,916	-	7,437,916
Retained earnings		-	2,303,415	2,303,415	-	2,126,550	2,126,550
Proposed dividends		-	250,000	250,000	-	200,000	200,000
Total Equity		**6,773,662**	**2,853,415**	**9,627,077**	**7,587,916**	**2,626,550**	**10,214,466**
LIABILITIES							
Current income tax		19,166	-	19,166	-	-	-
Other payables	33	457,998	143,046	601,044	405,593	109,585	515,178
Payables arising from reinsurance arrangements		-	3,981	3,981	-	3,981	3,981
Payables arising from direct insurance arrangements		-	50,808	50,808	-	50,808	50,808
Payable under deposit administration contracts	32(a)	47,812,662	-	47,812,662	40,786,023	-	40,786,023
Payables under unit linked policies	32(b)	307,348	-	307,348	439,693	-	439,693
Insurance contract liabilities	30	20,505,318	-	20,505,318	16,321,567	-	16,321,567
Deferred income tax	34	881,224	255,251	1,136,475	1,363,131	253,644	1,616,775
Total Liabilities		**69,983,716**	**453,086**	**70,436,802**	**59,316,007**	**418,018**	**59,734,025**
Total Equity and Liabilities		**76,757,378**	**3,306,501**	**80,063,879**	**66,903,923**	**3,044,568**	**69,948,491**

The financial statements on pages 132 to 208 were approved and authorised by the board of directors on 19 March 2019 and were signed on its behalf by:

J P M Ndegwa - Chairman

A S M Ndegwa - Director

J M Mutiga - Principal officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2018

	Notes	Share capital Ksh '000	Statutory reserve Ksh '000	Revaluation reserve Ksh '000	Translation reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Total Ksh '000
Balance as at 1 January 2017		450,000	7,291,845	43,018	(219,370)	2,776,456	200,000	10,541,949
Total comprehensive income for the year		-	-	-	-	1,189,392	-	1,189,392
Transfer from retained earnings to statutory reserve		-	869,631	-	-	(869,631)	-	-
Other comprehensive income for the year		-	-	22,375	(21,274)	-	-	1,101
Transfer from statutory reserve		-	(298,144)	-	-	298,144	-	-
Transaction with owners:								
Interim dividend paid for 2017		-	-	-	-	-	(200,000)	(200,000)
Final dividend proposed 2017		-	-	-	-	(200,000)	200,000	
Balance as at 31 December 2017		**450,000**	**7,863,332**	**65,393**	**(240,644)**	**3,194,361**	**200,000**	**11,532,442**
Balance as at 1 January 2018 as previously stated		**450,000**	**7,863,332**	**65,393**	**(240,644)**	**3,194,361**	**200,000**	**11,532,442**
Changes on initial application of IFRS 9		-	(76,719)	(65,393)	-	(43,158)	-	(185,270)
At start of year (restated)		**450,000**	**7,786,613**	**-**	**(240,644)**	**3,151,203**	**200,000**	**11,347,172**
Profit for the year		-	-	-	-	(144,248)	-	(144,248)
Transfer from retained earnings to statutory reserve		-	(336,539)	-	-	336,539	-	-
Other comprehensive income for the year		-	-	-	(101,730)	-	-	(101,730)
Transfer from statutory reserve		-	(350,000)	-	-	350,000	-	-
Transaction with owners:								
Final dividend paid for 2017	13	-	-	-	-	-	(200,000)	(200,000)
Final dividend proposed 2018		-	-	-	-	(250,000)	250,000	-
Balance as at 31 December 2018		**450,000**	**7,100,074**	**-**	**(342,374)**	**3,443,494**	**250,000**	**10,901,194**

The notes on pages 132 to 208 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 31 December 2018

	Note	Share capital	Statutory reserve Ksh '000	Retained earnings	Proposed dividends Ksh '000	Total Ksh '000
Balance as at 1 January 2017		450,000	6,972,499	1,916,529	200,000	9,539,028
Total comprehensive income for the year		-	-	875,438	-	875,438
Transfer from retained earnings		-	763,561	(763,561)	-	-
Transfer from statutory reserve	12	-	(298,144)	298,144	-	-
Transaction with owners:						
Final dividend paid for 2016		-	-		(200,000)	(200,000)
Interim dividends paid for 2017		-	-	-	-	-
Final dividend proposed 2017				(200,000)	200,000	-
Balance as at 31 December 2017		**450,000**	**7,437,916**	**2,126,550**	**200,000**	**10,214,466**
Balance as at 1 January 2018 as previously stated		**450,000**	**7,437,916**	**2,126,550**	**200,000**	**10,214,466**
Changes on initial application of IFRS 9		-	(76,017)	(374)	-	(76,391)
At start of year (restated)		**450,000**	**7,361,899**	**2,126,176**	**200,000**	**10,138,075**
Total comprehensive income for the year		-	-	(310,998)	-	(310,998)
Transfer from retained earnings			(388,237)	388,237	-	-
Transfer from statutory reserve	12	-	(350,000)	350,000	-	-
Transaction with owners:						
Final dividend paid for 2017	13	-	-	-	(200,000)	(200,000)
Final dividend proposed 2018		-	-	(250,000)	250,000	-
Balance as at 31 December 2018		**450,000**	**6,623,662**	**2,303,415**	**250,000**	**9,627,077**

The notes on pages 132 to 208 are an integral part of these financial statements.

CONSOLIDATED & COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

		GROUP		COMPANY	
CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**2018 Ksh '000**	**2017 Ksh '000**	**2018 Ksh '000**	**2017 Ksh '000**
Cash generated from operations	35	3,121,952	5,263,348	3,076,497	5,015,982
Income tax paid		(263,952)	(332,161)	(153,473)	(254,183)
Net cash generated from operating activities		**2,858,000**	**4,931,187**	**2,923,024**	**4,761,799**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income		7,102,069	6,060,771	6,765,531	5,755,814
Purchase of property and equipment	14	(41,912)	(27,436)	(31,688)	(4,333)
Purchase of intangible assets	15	(14,506)	(15,055)	(14,506)	(14,965)
Additions to investment property	16	-	(52,870)	-	(52,870)
Investment in subsidiary		-	-	(195,000)	(150,000)
Investment in associate	19	-	-	(225,355)	-
Proceeds from disposal of property and equipment		2,415	1,694	-	70
Purchase of quoted shares	17	(2,025,777)	(1,089,361)	(2,022,115)	(1,078,584)
Purchase of corporate bonds		(171,980)	(609,025)	(171,980)	(609,025)
Proceeds from disposal of government securities		5,667,450	15,730,214	5,682,457	15,825,790
Purchase of government securities		(13,561,058)	(25,560,119)	(13,033,704)	(25,168,074)
Policy loans advanced	21(b)	(177,373)	(152,059)	(133,707)	(129,097)
Policy loans recovered	21(b)	156,346	90,932	130,565	91,425
Mortgage loans advanced	21(a)	(95,334)	(175,877)	(95,334)	(175,877)
Mortgage loans recovered	21(a)	57,319	68,907	57,319	68,907
Proceeds from/(placement of) deposits with financial institutions		(2,401,849)	1,290,603	(2,378,002)	1,090,007
Proceeds from disposal of quoted shares		118,816	1,162,731	116,216	1,162,818
Redemption of corporate bonds		184,829	374,824	182,012	373,766
Dividend income on equity investments	6	301,627	304,981	297,895	301,559
Rental income	6	455,624	425,817	477,009	443,120
Statutory deposit		(5,482)	(34,373)	-	-
Net cash used in investing activities		**(4,448,776)**	**(2,204,701)**	**(4,592,387)**	**(2,269,549)**
CASH FLOWS FROM FINANCING ACTIVITIES					
2017 Final Dividends paid		(200,000)	(200,000)	(200,000)	(200,000)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,790,776)**	**2,526,486**	**(1,869,363)**	**2,292,250**
Cash and cash equivalents at 1 January		3,294,625	789,413	2,790,274	498,024
Effect of translation of cash and cash equivalents		(5,809)	(21,274)	-	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**35(b)**	**1,498,040**	**3,294,625**	**920,911**	**2,790,274**

The notes on pages 132 to 208 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

ICEA LION Life Assurance Company Limited is incorporated in Kenya under the Companies Act as a private limited liability company and is domiciled in Kenya. The address of its registered office is:-

ICEA LION Centre
Riverside Park, Chiromo Road Westlands
P.O Box 46143-00100
Nairobi

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

The Company acts as an insurance company and a holding company for insurance, investment management, schemes administration and trust services in Kenya and Uganda.

The Group comprises of eight entities; ICEA LION Life Assurance Company which is the parent company, ICEA LION Asset Management Company (Kenya), ITSL Trust Services Company (Kenya), Riverside Park Company (Kenya), ICEA General Insurance Company (Uganda), ICEA Life Assurance Company (Uganda) and ICEA Asset Management Company (Uganda). The Group also has a 30.9% stake in East Africa Reinsurance Company in Kenya, which is accounted for as an associate.

The Group is organised into two main divisions, Short term business and Long term business. Long term business relates to the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a term dependent on the termination or continuance of the life of an insured person. The Group also issues a diversified portfolio of deposit administration contracts to provide its customers with asset management solutions for their savings and retirement needs. Short term business relates to all other categories of short term insurance business underwritten by the Group, analysed principally property, casualty and medical insurance.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of ICEA LION Life Assurance Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to Companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and certain financial assets which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

New standards and interpretations adopted by the Group

The following standards and interpretations have been applied by the Group for the first time for the financial reporting year commencing on or after 1 January 2018:

IFRS 9 - Financial Instruments

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments as IFRS 7 'Financial Instruments: Disclosures'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

New standards and interpretations adopted by the Group (continued)
IFRS 9 - Financial Instruments (continued)

The Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have not been restated where appropriate in accordance with the transition provisions of the standard
The Group's balance sheet only contains the following financial assets:

- Trade and other receivables,
- Related party loans
- Equity investments
- Investment in associate companies
- Staff loans
- Kenya motor pool balances
- Bank deposits, and cash & bank balances
- Government securities
- Corporate bonds
- Mortgage loans
- Policy loans and
- Other receivables

There have been changes in the measurement criteria for some of the Group's financial assets on adoption of IFRS 9 after the consideration of the business model and cash flow characteristics. Specifically, the trade receivables typically held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost and are subject to impairment.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on its financial assets as listed in (a) above. The Company measured the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL).

The ECL on trade receivables is estimated using a provision matrix by taking into account past default experience and an analysis of the debtors current financial position and adjusted for any factors that are specific to debtors general economic conditions. There has been no material adjustments to existing provisions.

The Group has used the general approach method and applied the 12 month ECL on Cash, Deposits with financial institutions and government securities.

The application of IFRS 9 has not affected the Group's accounting for its liabilities. The payables continue to be recognised initially at fair value and subsequently measured at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and the new measurement categories under IFRS 9 are compared as follows:

Group

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 Ksh '000	New carrying amount under IFRS 9 Ksh '000
Financial assets				
Equity investments – quoted	Fair value through profit or loss	Fair value through profit or loss	6,162,425	6,162,425
Mortgage loans	Loans and receivables	Amortised cost	493,758	493,758
Policy loans	Loans and receivables	Amortised cost	547,182	533,992
Other receivables	Loans and receivables	Amortised cost	581,964	471,284
Government securities	Held to maturity	Amortised cost	33,671,746	33,629,527
Government securities	Held to maturity	Fair value through profit or loss	9,951,353	9,951,353
Government securities	Fair value through profit or loss	Fair value through profit or loss	4,525,865	4,525,865
Corporate bonds	Held to maturity	Amortised cost	1,395,042	1,385,828
Corporate bonds	Held to maturity	Fair value through profit or loss	39,335	39,335
Deposits with financial institutions	Held to maturity	Amortised cost	3,741,893	3,732,079
Cash and bank balances	Held to maturity	Amortised cost	181,298	181,145
Total financial assets			**61,291,861**	**61,106,591**

Company

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 Ksh '000	New carrying amount under IFRS 9 Ksh '000
Financial assets				
Equity investments – quoted	Fair value through profit or loss	Fair value through profit or loss	6,162,425	6,162,425
Mortgage loans	Loans and receivables	Amortised cost	493,758	493,758
Policy loans	Loans and receivables	Amortised cost	469,627	456,437
Other receivables	Loans and receivables	Amortised cost	413,671	410,549
Government securities	Held to maturity	Amortised cost	32,228,709	32,186,529
Government securities	Held to maturity	Fair value through profit or loss	9,951,353	9,951,353
Government securities	Fair value through profit or loss	Fair value through profit or loss	4,291,818	4,291,818
Corporate bonds	Held to maturity	Amortised cost	1,390,163	1,380,949
Corporate bonds	Held to maturity	Fair value through profit or loss	39,335	39,335
Deposits with financial institutions	Held to maturity	Amortised cost	3,099,593	3,091,058
Cash and bank balances	Held to maturity	Amortised cost	46,740	46,589
Total financial assets			**58,587,192**	**58,510,800**

Reconciliation of statement of financial position balances from the earlier version of IFRS 9 to the final version of IFRS 9:

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reconciliation of statement of financial position balances from the earlier version of IFRS 9 to the final version of IFRS 9: (continued)

The following table reconciles the carrying amount of financial assets, from their previous measurement categories in accordance with IAS 39 as at 31 December 2017 to the new measurement categories under IFRS 9 on 1 January 2018:

Group

	IAS 39 carrying amount 31 December 2017 Kes' 000	Reclassifications Kes' 000	Remeasurements Kes' 000	IFRS 9 carrying amount 1 January 2018 Kes' 000
Financial assets at amortised cost:				
Cash and balances	181,298	-	(153)	181,145
Deposits with financial institutions	3,741,893	-	(9,814)	3,732,079
Government securities	43,623,099	(9,951,353)	(42,219)	33,629,527
Corporate bonds	1,434,377	(39,335)	(9,214)	1,385,828
Mortgage loans	493,758	-	-	493,758
Policy loans	547,182		(13,190)	530,870
Other receivables	581,964	-	(110,680)	471,284
Total financial assets measured at amortised cost	**50,603,571**	**(9,990,688)**	**(185,270)**	**40,424,491**
Financial assets at fair value through profit or loss (FVTPL):				
Equity investments	6,162,425	87,744	-	6,250,169
Government securities	4,525,865	9,951,353	-	14,477,218
Corporate bonds	-	39,335	-	39,335
Total financial assets at FVTPL	**10,688,290**	**10,078,432**	**-**	**20,766,722**
Fair value through other comprehensive income (FVOCI):				
Equity investments (previously classified as available for sale investments)	87,744	(87,744)	-	-
Total financial assets at FVTOCI	**87,744**	**(87,744)**	**-**	**-**

Company

	IAS 39 carrying amount 31 December 2017 Kes' 000	Reclassifications Kes' 000	Remeasurements Kes' 000	IFRS 9 carrying amount 1 January 2018 Kes' 000
Financial assets at amortised cost:				
Cash and balances	46,740		(151)	46,589
Deposits with financial institutions	3,099,593		(8,535)	3,091,058
Government securities	42,180,062	(9,951,353)	(42,180)	32,186,529
Corporate bonds and commercial papers	1,429,498	(39,335)	(9,214)	1,380,949
Mortgage loans	493,758			493,758
Policy loans	469,627		(13,190)	456,437
Other receivables	413,670		(3,121)	410,549
Total financial assets measured at amortised cost	**48,132,948**	**(9,990,688)**	**(76,391)**	**38,065,869**
Financial assets at fair value through profit or loss (FVTPL):				
Equity investments	6,162,425	-	-	6,162,425
Government securities	4,291,818	9,951,353	-	14,243,171
Corporate bonds and commercial papers	-	39,335	-	39,335
Total financial assets at FVTPL	**10,454,243**	**9,990,688**	**-**	**20,444,931**

All equity instruments in scope for IFRS 9 are to be measured at fair value in the statement of financial position, with fair value changes recognized in profit or loss.

If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at FVOCI with only dividend income recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Group

	Impairment under IAS 39 Kes' 000	Reclassifications Kes' 000	Remeasurements Kes' 000	Expected Credit Loss under IFRS 9 Kes' 000
Financial asset				
Cash and bank balances	-	-	153	153
Deposits with financial institutions	-	-	9,814	9,814
Receivables arising from direct insurance arrangements	107,025		110,680	110,680
Loans receivable	-	-	13,190	13,190
Government securities at amortised cost	-	-	42,219	42,219
Corporate bonds and commercial paper	-	-	9,214	9,214
Total	**107,025**	**-**	**185,270**	**185,270**

Company

	Impairment under IAS 39 Kes' 000	Reclassifications Kes' 000	Remeasurements Kes' 000	Expected Credit Loss under IFRS 9 Kes' 000
Financial asset				
Cash and bank balances	-	-	151	151
Deposits with financial institutions	-	-	8,534	8,535
Policy loans	-	-	13,190	-
Other receivable	-	-	3,122	16,312
Government securities at amortised cost	-	-	42,180	42,180
Corporate bonds and commercial paper	-	-	9,214	9,214
Total	**-**	**-**	**76,391**	**76,391**

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of preparation (continued)

IFRS 15 Revenue from contracts with customers (continued)

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: recognize revenue when (or as) the entity satisfies a performance obligation Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

In April 2016, the IASB issued Clarification to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group has adopted IFRS 15 and this has not had a significant impact on the financial position and/or financial performance of the Group.

IFRIC 22

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non- monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The group has adopted the amendments to IFRIC 22 and this did not have any impact on the group's financial statements. The Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

This is because the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

(ii) New and revised standards in issue but not yet effective.

Standard	Effective date
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	1 January 2019
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets	Effective date postponed
Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures.	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The directors of the Group anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements and are assessing the potential impact on its financial statements resulting from its application.

IFRS 17-Insurance contracts

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT. The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted.

It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The directors of the Group anticipate that the application of the Standard in the future will have significant impact on the financial position and/or financial performance of the Group and have carried out impact assessment as part of the implementation process.

Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

1) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
2) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored
3) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
4) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
5) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.

The narrow-scope amendment covers two issues:

a) The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.

How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets

The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets (continued)

IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures.

The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

The amendments are effective from 1 January 2019, with early application permitted

Annual Improvements to IFRS Standards 2015-2017 Cycle

The following improvements were finalised in December 2017:

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The Directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above, only IFRS 17 and IFRS 16 are expected to have a significant impact on the Group's financial statements.

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

(b) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

Subsidiaries (continued)

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previous recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previous recognised in other comprehensive income are reclassified to profit or loss.

Investment in subsidiaries in the company books are carried at cost less provisions for impairment.

Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights.

The Group's investment in its associate is accounted for using the equity method and is recognized initially at cost.

The cost of the investment includes transaction costs. Subsequent to initial recognition, the financial statement includes the Group's share of the profit or loss and other comprehensive income of equity accounted investee until the date in which significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Company's investment in associate is accounted for at cost in its separate financial statements.

(c) The Kenya Motor pool

The Kenya Motor Insurance Pool balances represent the group's share of the surplus and net assets of the pool.

Results of the company's share of the two Kenya Motor Insurance Pools are accounted for in profit or loss in accordance with the Pool's accounting year which runs from October of the previous year to September of the current year. As a result, the Pool's results for the 4th quarter of the group's accounting year are accounted for in the subsequent year.

(d) Insurance and investment contracts – classification and measurement

i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur investment contracts are those contracts that transfer financial risk with no significant insurance risk. A number of insurance and investment contracts contain discretionary participation features (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses.

Long-term insurance business

Includes insurance business of all or any of the following classes, namely, life assurance business, superannuation business and business incidental to any such class of business.

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

Superannuation business means life assurance business, being business of, or in relation to, the issuing of or the undertaking of liability under superannuation, group life and permanent health insurance policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Insurance and investment contracts – classification and measurement (continued)

Short term insurance business

This is insurance business of any class or classes that is not long term insurance business. Classes of general Insurance include Aviation insurance, Engineering insurance, Fire insurance – domestic risks, Fire insurance – industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance – private vehicles, Motor insurance
– commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance. Miscellaneous insurance refers to other classes of business not included under those listed above. Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of motor vehicles, inclusive of third party risks but exclusive of transit risks. Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class. It also includes business of effecting and carrying out contracts of insurance against risk of persons insured incurring medical expenses.

ii) Recognition and Measurement

Premium Income

For long term insurance business, premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

For general insurance business, premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the un expired terms of policies in force at the financial reporting date, and is computed using the 1/24ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims

For long term insurance business, benefits are recorded as an expense when they are incurred. Claims arising on maturing policies are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A risk margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each financial reporting date using the assumptions established at inception of the contracts.

For general insurance business, claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the financial reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR").

Outstanding claims are not discounted.

Reinsurance contracts held

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Insurance and investment contracts – classification and measurement (continued)

Reinsurance contracts held (continued)

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

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

Receivables and payables related to insurance contracts and investment contracts

Receivables and payables related to insurance contracts and investment contracts are amounts due from / due to agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss for the year.

Salvage and subrogation reimbursements

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

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

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

Deferred policy acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortized over the life of the contracts.

(e) Revenue recognition (non – insurance contracts)

Revenue comprises the fair value for services, net of value-added tax, after eliminating revenue within the Group. Revenue is recognised as follows:

(i) Rendering of services

Revenue arising from asset management and other related services offered by the Group are recognized in the accounting period in which the services are rendered. Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. These services comprise the activity of trading financial assets in order to reproduce the contractual returns that the Group's customers expect to receive from their investments. Such activities generate revenue that is recognised by reference to the stage of completion of the contractual services. In all cases, these services comprise an indeterminate number of acts over the life of the individual contracts. For practical purposes, the Group recognizes these fees on a straight-line basis over the estimated life of the contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (non – insurance contracts) (continued)

(ii) Investment Income

Rental income

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

Dividend income

Dividend income from equity securities is recognised when the Group's right to receive payment has been established provided that it is probable that the economic benefits will flow to the fund and the amount of income can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(f) Deposit administration contracts

The Group administers the funds of a number of retirement benefit schemes which are classified as investment contracts. The liabilities of the Group to the schemes have been treated as payables within the statement of financial position. Contributions are recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by administration fees and any withdrawals. These liabilities are the contract holders' account balances.

(g) Accrued leave benefits

Entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability in respect of annual leave accrued on the reporting period end.

(h) Motor vehicle and equipment

Motor vehicle and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation is calculated on motor vehicle and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life, on the following bases:

Motor vehicles	25%
Furniture fittings & equipment	12.5%
Computer equipment	30%

The residual values of items of motor vehicle and equipment and their estimated useful lives are reviewed at each reporting period end and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

(i) Intangible assets

Intangible assets comprise of computer software costs which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated to write off the cost of computer software on a straight line basis over its estimated useful life of 3 years.

(j) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined annually by external independent valuers. Fair value is based on open market basis determined using the highest and best use valuation model.

Investment properties are not subject to depreciation. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

Financial assets

i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

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

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

ii) Recognition and derecognition

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

iii) Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

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

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

iv) Determination of fair value

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

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

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

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

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

v) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Prior to 1 January 2018, the Group would assess at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

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

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to the following financial instruments that are not measured at FVTPL or FVTOCI:
- Government securities measured at amortised cost
- Receivables arising from direct insurance arrangements
- Rent and other receivables;
- Loan receivable
- Corporate bonds and commercial paper;
- Deposits with financial institutions; and Cash and bank balances.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

The Group will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:
- Debt instruments that are determined to have low credit risk at the reporting date. The Group will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- Other financial instruments (other than trade receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for premium receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:
- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

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

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

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

Expected credit losses
Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).
ECL = PD x LGD x EAD
In applying the IFRS 9 impairment requirements, the Group follows the general approach.

The General Approach

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Determination of fair value

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

Definition of default

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

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

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

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

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

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group 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 Group's historical experience, expert credit assessment and forward-looking information.

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

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

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

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

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

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Group risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

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

The Group has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses

The predicted relationships between the key indicators and the default and loss rates on various portfolios of financial assets have been developed by analysing historical data over the past 3 to 5 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default;
- Loss given default (LGD); and
- Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Group uses the PD tables supplied by [Rating Agency X based on the default history of obligors with the same credit rating. The Group adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings (see (i)).The PDs are recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information as described above. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

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

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

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

- instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity; industry; and
- geographic location of the borrower.

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

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group uses to derive the default rates of its portfolios. This includes the PDs provided in the S&P default study and the LGDs provided in the [Rating recovery studies.

Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVTPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVTPL – in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

Financial liabilities

Two measurement categories exist for financial liabilities; FVTPL and amortised cost. Financial liabilities that are held for trading are measured at FVTPL and all other financial liabilities are measured at amortised cost unless the fair value option is applied. IFRS 9, contains an option to designate a financial liability as measured at FVTPL when:-

(i) Doing so significantly reduces or eliminates an accounting mismatch that would arise from measuring assets and liabilities or recognising gains or losses on different basis
(ii) The liability is part of a group of financial liabilities that are managed and performance is evaluated on a fair value basis.

A financial liability that does not meet any of the above two criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

Derecognition of financial liabilities

A financial liability is removed from the statement of financial position when and only when it is extinguished, i.e. when the obligation in the contract is either discharged or cancelled or it expires. Where there been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as extinguishment of the original financial liability and the recognition of a new financial liability.

A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(m) Translation of foreign currencies and operations

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Kenya Shillings rounded to the nearest thousand ("Shs"), which is the Group's presentation currency.

(ii) Transactions and balances

In preparing the financial statements of individual entities in the Group, transactions in foreign currencies during the year are recorded at rates ruling at the transaction dates. Assets and liabilities at the end of each reporting period which are expressed in foreign currencies are translated at rates ruling at that date. The resulting differences are dealt with in the statement of comprehensive income come in the year in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated to Kenya shillings using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in other comprehensive income and accumulated in equity under the Groups' currency translation reserve. Such differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(n) Accounting for Operating leases

An operating lease is a contract wherein the owner, called the Lessor, permits the user, called the Lesse, to use of an asset for a particular period which is shorter than the economic life of the asset without any transfer of ownership rights.

The group has entered into a number of operating leases for all the office location it operates in.

Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. The amount of unexpired operating leases are disclosed under note 37 of this financial statements

(o) Income tax expense

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

(p) Retirement benefit obligations

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Group and employees. The employees of the Group are also members of the statutory National Social Security Fund ("NSSF").The Group's contributions to the defined contribution scheme and NSSF are charged to the profit or loss in the year to which they relate.

(q) Dividends

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

(r) 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.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Shares are classified as equity when there is no obligation to transfer cash or other assets.

3 CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparation of the annual financial statements, the Group makes use of estimates and assumptions that affect the reported amounts of its assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Judgements made by management that could have a significant effect on the amounts recognized in the financial statements include:

a) Short-term insurance contract liabilities

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported (IBNR) are net of expected recoveries from salvage and subrogation. The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

b) Long term insurance contract liabilities

The long term insurance contract liabilities have been calculated in accordance with the actuarial method and basis set out in the insurance valuation of technical provisions for life insurance business guidelines, 2017.The liabilities have been determined using the Gross Premium Valuation (GPV) method on a policy by policy basis. The best estimate liability has been increased in accordance with the prescribed loadings risk margins. The assumptions underlying the compulsory risk margins have purely been based on the regulatory guidelines. The key assumptions that have been used in determining the actuarial liabilities at year end include; mortality, longevity, expense inflation, investment return and withdrawals.

The most significant valuation assumptions are as summarized below;

i) Mortality - The Company used KE 2007-2010 as base table of standard mortality for ordinary life and KE-2007-2010 plus 40% for annuitant life.
ii) Withdrawals - The withdrawal rates used in the valuation were set as per the experience observed in the Company's data.
iii) The discount rate assumptions used are based on risk free interest rate as at 31st December 2018 which is derived by converting the Nairobi Securities yield curve as at 31st December 2018 to zero coupon yield.

b) Long term insurance contract liabilities (continued)

iv) Expense and inflation - The level of renewal expenses were taken based on the current expense experience of the Company. The expense inflation has been assumed to be 5% for the year ended 31st December 2018.

3 CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

SENSITIVITY ANALYSIS

The effect of changes in mortality, longevity, expenses and withdrawals will have the following effect on the value of actuarial liabilities;

	% change	2018 Kshs'000	2017 Kshs'000
Mortality	+10	50,096	36,184
Longevity	+10	184,476	145,475
Expense inflation	+10	58,655	41,020
Withdrawals	+10	(11,828)	7,150

The above sensitivity analysis is on the Company actuarial liabilities. Since the Company actuarial liabilities account for over 90% of the group actuarial liabilities the subsidiaries liabilities will not materially change this sensitivity position.

The table below summarizes details of the risk margins applied in the actuarial valuation of long term insurance contract liabilities:

	Risk Margins Applied	
	31st December 2018	31st December 2017
Mortality	10% increase in mortality for death assurances	10% increase in mortality for death assurances
Longevity	10% decrease in mortality for life assurances and annuities	10% decrease in mortality for life assurances and annuities
Morbidity/disability	10% decrease in inception rates & 5% decrease in recovery rates	10% decrease in inception rates & 5% decrease in recovery rates
Lapses	25% increase or decrease in lapse rates depending on which options gives rise to increase in liabilities	25% increase or decrease in lapse rates depending on which options gives rise to increase in liabilities
Interest	20% decrease	15% decrease
Expenses	10% increase	10% increase
Expense inflation	10% increase of estimated escalation rate	10% increase of estimated escalation rate
Surrenders	10% increase or decrease in surrender rates depending on which option gives rise to increase in liabilities	10% increase or decrease in surrender rates depending on which option gives rise to increase in liabilities

Interest rate margins Sensitivity

The actual interest rate used is arrived at by multiplying the risk free term structure of the interest rates of government bonds by a risk margin factor (1-risk margin) which further reduces the valuation interest rate thus increasing the liabilities. For purposes of prudence the liabilities for 2018 have been valued using 20% (2017 15%) risk margins on interest rates as stipulated in the IRA regulations. The table below summarises the impact on the earnings of the group using the rates of 15% and 10%;

Interest rate risk margin	Multiplication factor	Increase in earnings
15%	(1-15)%	818 million
10%	(1-10)%	1,736 million

The profitability of the Group in 2018 would have increased by Kshs 818 million and Kshs 1,736 million had the interest margins been 15% and 10% respectively.

3 CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

c) Income Tax

The Group is subject to income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group 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.

d) Valuation of Investment property

Estimates are made in determining valuations of investment properties. Fair value is based on valuation performed by an independent valuation expert. In performing the valuation the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales. The independent valuers also use the highest and best use principle in determining the value of Investment property. The change in these assumptions could result in a significant change in the carrying value of investment property. Management monitors the investment property market and economic conditions that may lead to significant change in fair value, and conducts a formal and independent property valuation at least once every three years and adjusts the recorded fair values accordingly for any significant change.

SENSITIVITY ANALYSIS

The effect of changes in gross annual rental and yield will have the following effect on the fair value of investment property;

	% change	2018 Kshs'000	2017 Kshs'000
Gross annual rental income	+10	753,805	934,054
Gross annual rental income	-10	(753,805)	(934,054)
Yield	+0.5	8.4%	8.9%
Yield	-0.5	7.4%	7.9%

e) Calculation of loss allowance

When measuring expected credit losses (ECL), the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default (PD) constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the PD rates on the financial assets had been 5% higher (lower) as of 31 December 2018, the loss allowance would have been Sh 13.5 million higher (lower).

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK

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

The disclosures below summarises the way the Group manages key risks:

4.1 Insurance risk

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

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

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance 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 insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Long-term business

Long term insurance products expose required capital to risk if actual experience differs from that which is assumed. The Group is also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect to long term business.

The Group manages underwriting risk through Its product development process and underwriting policy to prevent anti - selection and ensure appropriate premium rates (loadings) for substandard risks. The Group also ensures there is adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks. Other measured the Group uses to manage its Insurance risk includes ensuring that there is in place a sound claims handling policy and adequate pricing and reserving philosophy. Quarterly full actuarial valuations and the Group's regular performance reporting process assist in the timely identification of experience variances.

The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk;

i) All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process.
ii) The statutory actuaries approve the policy conditions and premium rates of new and revised products;
iii) Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
iv) The experience of reinsurers is used where necessary for the rating of substandard risks
v) The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary.
vi) Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action is taken where necessary.

Short-term business

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered as a result of road accidents and injuries to agricultural employees. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include excess, surplus and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than set limits per class of business in any one year.
The Group has specialised claims units dealing with the mitigation of risks surrounding known claims. This unit investigates all claims and adjusts them where necessary. The claims records are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claim payments

Claims on all insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims are settled over a long period of time and a large element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they have adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered and damage or loss to property.

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

(b) Sources of uncertainty in the estimation of future claim payments (continued)

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

At present; these risks are monitored very closely and reassurance arrangements are in place to protect the impact of severity of claims and frequency from one event. There is also an underwriting policy in place which is strictly followed.

The underwriting strategy adopted is intended to ensure that the risks underwritten are well diversified in terms of type of risk and level of insured benefits. Medical selection is also included in underwriting procedures with premiums varied to reflect the health condition and family medical history of the insured. The Group has retention limit for standard risks (from a medical point of view). The Group does not have in place any reinsurance for contracts that insure survival risk but every year reserves are set aside to support the liabilities arising from such contracts. Insurance risk for contracts disclosed in this note is also affected by policyholder's right to pay reduced premiums or no future premiums or terminate the contract completely.

Concentration of insurance risks

The table below discloses the maximum insured risk (sum assured) by the class of business in which the contract holder operates and included in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities (gross and net of reinsurance) arising from insurance. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

GROUP

Year ended 31 December 2018

Long term Business		Maximum Insured loss			
Class of business		Shs 0 m-Shs 15 m	Shs 15 m-Shs 250 m	Shs 250 m and above	Total
		Shs'000	Shs'000	Shs'000	Shs'000
Annuity	Gross/Net	7,330,641	3,227,862	-	10,558,503
Ordinary life	Gross	42,800,466	2,081,437	611,745	45,493,648
	Net	37,396,828	572,444	3,500	37,972,772
Group life	Gross	1,344,421	19,256,860	170,724,215	191,325,496
	Net	1,254,066	12,546,439	95,315,167	109,115,672
Short term business		2,672	3,637	4,386	10,695
Fire	Gross	2,634	2,830	4,343	9,807
	Net	4,842	29,641	129,647	164,130
Motor	Gross	3,791	11,687	8,313	23,791
	Net	634	7,321	50,132	58,087
Accident	Gross	609	4,754	16,730	22,093
	Net	3,452	17,372	105,847	126,671
Others	Gross	2,566	10,415	15,889	28,870
Total	**Gross**	**51,487,128**	**24,624,130**	**171,625,972**	**247,737,202**
Total	**Net**	**45,991,135**	**16,376,431**	**95,363,942**	**157,731,277**

ICEA LION LIFE ASSURANCE

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

Concentration of insurance risks (continued)

COMPANY

Year ended 31 December 2018

Long term Business

Class of business		Maximum Insured loss			
		Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Annuity	Gross/Net	7,330,641	3,227,862	-	10,558,273
Ordinary life	Gross	35,757,057	1,637,657	611,745	38,006,459
	Net	30,722,005	559,286	3,500	31,284,791
Group life	Gross	1,030,960	15,073,854	112,268,869	128,373,683
	Net	945,779	9,406,078	64,668,584	75,020,441
Total	**Gross**	**44,118,658**	**19,939,373**	**112,880,614**	**176,938,415**
Total	**Net**	**38,998,425**	**13,193,226**	**64,672,084**	**116,863,505**

GROUP

Class of business		Maximum Insured loss			
		Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Long term business					
Year ended 31 December 2017					
Annuity	Gross/Net	6,826,765	3,972,294	-	10,799,059
Ordinary life	Gross	38,778,274	2,023,597	-	40,801,871
	Net	33,947,760	330,571	-	34,278,331
Group life	Gross	531,452	13,511,385	144,554,823	158,597,660
	Net	516,448	9,290,874	80,262,467	90,069,789
Short term business					
Fire	Gross	2,470	25,983	137,061	165,514
	Net	177	1,861	9,815	11,853
Motor	Gross	22,496	32,079	10,814	65,389
	Net	16,872	24,059	8,110	49,041
Accident	Gross	45,978	6,420	39,507	91,905
	Net	15,633	2,183	13,432	31,248
Others	Gross	108,595	12,867	95,570	217,032
	Net	52,126	6,176	45,874	104,176
Total	**Gross**	**46,316,030**	**19,584,625**	**144,837,775**	**210,738,430**
Total	**Net**	**41,375,781**	**13,628,018**	**80,339,698**	**135,343,497**

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

COMPANY

Class of business		Maximum Insured loss			
		Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Long term business					
Year ended 31 December 2017					
Annuity	Gross/Net	6,826,765	3,972,294	-	10,799,059
Ordinary life	Gross	34,104,972	1,290,784	-	35,395,756
	Net	29,668,817	310,705	-	29,979,522
Group life	Gross	239,918	10,475,667	107,940,385	118,655,970
	Net	236,682	7,063,941	64,572,503	71,873,126
Total	**Gross**	**41,171,655**	**15,738,745**	**107,940,385**	**164,850,785**
Total	**Net**	**36,732,264**	**11,346,940**	**64,572,503**	**112,651,707**

4.2 Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

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

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It manages these positions with an Asset Liability Management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The Group produces regular reports at portfolio and asset and liability class level that are circulated to the Group's key management personnel. The principal technique of the Group's asset liability management (ALM) is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The Group does not use hedge accounting.

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

The Group has exposure to the following risks arising from financial instruments;

a) Liquidity risk

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

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of short-term insurance contracts as of 31 December 2018.

GROUP

		Contractual cash flows (undiscounted)				
Financial assets	Carrying amount 31.12.2018 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held to maturity						
- Government securities-fixed rate	620,959		249,588	199,378	-	171,993
- Corporate bonds – fixed rate	2,062	-	-	2,062	-	-
- Fixed deposits	661,142	-	649,344	11,798	-	-
Other receivables	117,965	-	117,965	-	-	-
Equity – Available for sale	11,298	11,298	-	-	-	-
Cash and cash equivalents	33,439	-	33,439	-	-	-
Total	**1,446,865**	**11,298**	**1,050,336**	**213,238**	**-**	**171,993**
Financial liabilities						
Insurance contracts-short term	437,174	-	437,174	-	-	-
Payables arising from reinsurance arrangements	141,927	-	141,927	-	-	-
Payables arising from direct insurance arrangements	50,808	-	50,808	-	-	-
Other payables	233,118	-	233,118	-	-	-
Total	**863,027**	**-**	**863,027**	**-**	**-**	**-**
Difference in contractual cash flows	**583,838**	**11,298**	**187,309**	**213,238**	**-**	**171,993**

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of short-term insurance contracts as of 31 December 2017.

GROUP

Financial assets	Carrying amount 31.12.2017 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held to maturity						
- Government securities-fixed rate	973,864	-	417,337	72,836	67,196	416,495
- Corporate bonds – fixed rate	4,879	-	-	4,879	-	-
- Fixed deposits	408,146	-	408,146	-	-	-
Equity securities at fair value through profit and loss:	11,162	11,162	-	-	-	-
Other Receivables	170,488	-	170,488	-	-	-
Cash and cash equivalents	48,039	-	-	-	48,039	-
Receivables arising out of reinsurance arrangements	185,030	-	185,030	-	-	-
Assets arising from reinsurance contracts held short term	128,139	-	-	-	128,139	-
Receivables arising out of direct insurance arrangements	114,730	-	114,730	-	-	-
Total	**2,044,477**	**11,162**	**1,295,731**	**77,715**	**243,374**	**416,495**
Financial liabilities						
Insurance contracts-short term	213,723	-	213,723	-	-	-
Less assets arising from reinsurance contracts held short term						
Payables arising from reinsurance arrangements	86,473	-	86,473	-	-	-
Payables arising from direct insurance arrangements	50,808	-	50,808	-	-	-
Other payables	261,846	-	261,846	-	-	-
Total	**612,850**	**-**	**612,850**	**-**	**-**	**-**
Difference in contractual cash flows	**1,431,627**	**11,162**	**682,881**	**77,715**	**243,374**	**416,495**

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of Short-term insurance contracts as of 31 December 2018.

COMPANY

			Contractual cash flows (undiscounted)			
Financial assets	Carrying amount 31.12.2018 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held to maturity						
- Fixed deposits	320,566	-	308,768	11,798	-	-
Cash and cash equivalents	3,340	-	3,340	-	-	-
Other receivables	44,014	-	44,014	-	-	-
Total	**367,920**	**-**	**356,122**	**11,798**	**-**	**-**
Financial liabilities						
Payables arising from direct insurance arrangements	50,808	-	50,808	-	-	-
Other payables	143,046	-	143,046	-	-	-
Payables arising from reinsurance arrangements	3,981	-	3,981	-	-	-
Total	**197,835**	**-**	**197,835**	**-**	**-**	**-**
Difference in contractual cash flows	**170,085**	**-**	**158,287**	**11,798**	**-**	**-**

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the company's Assets and Liabilities Management (ALM) framework for management of Short-term insurance contracts as of 31 December 2017.

			Contractual cash flows (undiscounted)			
Financial assets	Carrying amount 31.12.2017 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held to maturity						
- Government securities-fixed rate	320,000	-	320,000	-	-	-
- Fixed deposits	170,410	-	170,410	-	-	-
Cash and cash equivalents	762	-	762	-	-	-
Other receivables	46,863	-	46,863	-	-	-
Total	**538,035**	**-**	**538,035**	**-**	**-**	**-**
Financial liabilities						
Payables arising from direct insurance arrangements	50,808	-	50,808	-	-	-
Payables arising from reinsurance arrangements	3,981	-	3,981	-	-	-
Other payables	109,584	-	109,584	-	-	-
Total	**164,373**	**-**	**164,373**	**-**	**-**	**-**
Difference in contractual cash flows	**373,662**	**-**	**373,662**	**-**	**-**	**-**

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of long term insurance contracts as of 31 December 2018.

GROUP

	Contractual cash flows (undiscounted)						
Financial assets	Carrying amount 31.12.2018 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held to maturity							
- Government securities-fixed rate	71,825,645	-	4,875,290	7,299,390	4,970,048	8,003,289	46,677,628
- Corporate bonds – fixed rate	1,399,548	-	657,000	264,664	267,344	157,025	53,515
- Fixed deposits	4,021,611	-	3,865,450	49,842	-	-	106,319
- Available for sale	6,821,684	6,821,684	-	-	-	-	-
At fair value through profit and loss:	-	-	-	-	-	-	-
Government securities-	45,645,612	-	2,649,938	2,757,233	2,527,928	4,177,700	33,532,813
- Corporate bonds-fixed rate	164,976	-	34,166	49,863	10,047	70,900	-
Mortgage loans	905,405	-	67,646	106,719	63,389	63,389	604,262
Policy loans	477,207	-	184,061	177,973	-	-	115,173
Other Receivable	282,636	-	282,636	-	-	-	-
Cash and cash equivalents	104,707	-	104,707	-	-	-	-
Total	**131,649,031**	**6,821,684**	**12,720,894**	**10,705,684**	**7,838,756**	**12,472,303**	**81,089,710**
Financial liabilities							-
Insurance contracts-long term	52,323,661	-	362,321	936,819	-	1,388,204	49,636,317
Payables under unit linked policies	307,348	-	307,348	-	-	-	-
Less assets arising from reinsurance contracts	(14,415)	-	(14,415)	-	-	-	-
Payables arising from reinsurance arrangements	4,009	-	4,009	-	-	-	-
Payables under deposit administration contracts	49,190,113	-	49,190,113	-	-	-	-
Other Payables	596,936	-	596,936	-	-	-	-
Total	**102,407,652**	**-**	**50,446,312**	**936,819**	**-**	**1,388,204**	**49,636,317**
Difference in contractual cash flows	**29,241,379**	**6,821,684**	**(37,725,418)**	**9,768,865**	**7,838,755**	**11,084,100**	**31,453,393**

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of long term insurance contracts as of 31 December 2017.

GROUP

	Contractual cash flows (undiscounted)						
Financial assets	Carrying amount 31.12.2017 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held to maturity							
- Government securities-fixed rate	86,928,022	-	7,497,573	5,554,900	6,720,563	13,891,715	53,263,271
- Corporate bonds – fixed rate	3,321,277	-	845,217	553,959	309,605	728,064	884,432
- Fixed deposits	4,499,480	-	3,333,747	-	-	-	1,165,733
- Available for sale	-	-	-	-	-	-	-
Equity securities at fair value through profit and loss:	6,162,425	6,162,425	-	-	-	-	-
Cash and cash equivalents	136,648	-	136,648	-	-	-	-
Mortgage loans	493,758	-	4,461	696	-	3,274	485,327
Policy loans	547,182	-	112,340	-	-	289,672	145,170
Total	**102,088,792**	**6,162,425**	**11,929,986**	**6,109,555**	**7,030,168**	**14,912,725**	**55,943,933**
Financial liabilities							
Insurance contracts-long term	49,490,699	-	997,114	429,924	1,003,189	890,468	-
Payables under unit linked policies	439,693	-	439,693	-	-	-	46,170,004
Less assets arising from reinsurance contracts held short term	(21,050)	-	(21,050)	-	-	-	-
Payables arising from reinsurance arrangements	21,933	-	21,933	-	-	-	-
Payables under deposit administration contracts	41,616,647	-	41,616,647	-	-	-	-
Total	**91,547,922**	**-**	**43,054,337**	**429,924**	**1,003,189**	**890,468**	**46,170,004**
Difference in contractual cash flows	**10,540,870**	**6,162,425**	**(31,124,351)**	**5,679,631**	**6,026,979**	**14,022,257**	**9,773,929**

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of long-term insurance contracts as of 31 December 2018.

COMPANY

		Contractual cash flows (undiscounted)					
Financial assets	Carrying amount 31.12.2018 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held to maturity							
- Government securities-fixed rate	70,225,244	-	4,506,147	6,317,911	4,970,048	8,003,289	46,427,849
- Corporate bonds	1,399,548	-	657,000	264,664	267,344	157,025	53,515
- Deposit with financial institutions	3,592,792	-	3,436,631	49,842	-	-	106,319
At fair value through profit and loss: -							
- Equity securities	6,821,684	6,821,684	-	-	-	-	-
- Government securities	45,645,612	-	2,649,938	2,757,233	2,527,928	4,177,700	33,532,813
- Corporate bonds	164,976	-	34,166	49,863	10,047	70,900	-
Mortgage loans	809,539	-	63,389	63,389	63,389	63,389	555,983
Policy loans	477,207	-	184,061	177,973			115,173
Other receivables	243,594	-	243,594	-	-	-	-
Cash and bank balances	14,105	-	14,105	-	-	-	-
Total	**129,394,301**	**6,821,684**	**11,789,031**	**9,680,875**	**7,838,756**	**12,472,303**	**80,791,652**
Long term insurance liabilities							
Insurance contracts - long term	52,323,662	-	362,321	936,819	1,388,204	-	49,636,318
Payables under unit linked policies	307,348	-	307,348	-	-	-	-
Less assets arising from reinsurance contracts	(14,415)	-	(14,415)	-	-	-	-
Payables under deposit administration contracts	48,236,552	-	48,236,552	-	-	-	-
Other payables	457,998	-	457,998	-	-	-	-
Total	**101,311,145**	**-**	**49,349,804**	**936,819**	**1,388,204**	**-**	**49,636,318**
Difference in contractual cash flows	**28,083,156**	**6,821,684**	**(37,560,773)**	**8,744,056**	**6,450,552**	**12,472,3014**	**31,155,334**

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the company's Assets and Liabilities Management (ALM) framework for management of long-term insurance contracts as of 31 December 2017.

COMPANY

		Contractual cash flows (undiscounted)					
Financial assets	Carrying amount 31.12.2017 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held to maturity							
- Government securities-fixed rate	84,818,230	-	7,153,181	5,096,831	6,720,563	13,891,715	51,955,940
- Corporate bonds	3,321,277	-	845,217	553,959	309,605	728,064	884,432
- Deposit with financial institutions	4,094,916	-	2,929,183	-	-	-	1,165,733
Equity securities - At fair value through profit and loss:	6,162,425	6,162,425	-	-	-	-	-
Mortgage loans	497,228	-	95,076	95,076	95,076	95,076	116,924
Policy loans	758,775	-	94,465	94,465	94,465	94,465	380,915
Cash and bank balances	45,978	-	45,978	-	-	-	-
Total	**99,698,829**	**6,162,425**	**11,163,100**	**5,840,331**	**7,219,709**	**14,809,320**	**54,503,944**
Long term insurance liabilities							
Insurance contracts- long term	48,600,231	-	106,646	429,924	1,003,189	1,318,888	45,741,584
Payables under unit linked policies	439,693	-	439,693	-	-	-	-
Less assets arising from reinsurance contracts	(9,023)	-	(9,023)	-	-	-	-
Payables under deposit administration contracts	40,786,023	-	40,786,023	-	-	-	-
Total	**89,816,924**	**-**	**41,323,339**	**429,924**	**1,003,189**	**1,318,888**	**45,741,584**
Difference in contractual cash flows	**9,881,905**	**6,162,425**	**(30,160,239)**	**5,410,407**	**6,216,520**	**13,490,432**	**8,762,360**

b) Market risk

(i) Interest rate risk

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

The Group's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 1 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the Group's overall exposure to interest rate sensitivities included in the Group's ALM framework and its impact in the Group's profit or loss by business.

An increase/decrease of one percentage point in interest yields would result in additional profit/loss for the year of Shs 536 million (2017:Shs 435.5million) investment income in long-term business and Shs 3 million (2017:Shs 0.3 million) in short-term business.

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

b) Market risk (continued)

As at 31 December, the Group had the following interest bearing financial assets.

GROUP	Long term business 2018 Shs'000	Short term business and Investment Activities 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Assets				
Mortgage loans	531,772	-	531,772	493,758
Policy loans	568,209	-	568,209	547,182
Corporate bonds held to maturity	1,380,132	2,062	1,382,194	1,434,377
Corporate bonds held for trading	39,335	-	39,335	-
Government securities held to maturity	36,286,246	387,763	36,674,009	43,623,099
Government securities held for trading	20,227,019	233,196	20,460,215	4,525,865
Deposits with financial institutions	3,760,267	661,142	4,421,409	3,741,893
Total interest bearing assets	**62,792,980**	**1,284,163**	**64,077,143**	**54,366,174**
COMPANY				
Assets				
Mortgage loans	531,772	-	531,772	493,758
Policy loans	472,769	-	472,769	469,627
Corporate bonds held to maturity	1,380,132	-	1,380,132	1,429,498
Corporate bonds held for trading	39,335	-	39,335	-
Government securities held to maturity	34,685,845	-	34,685,845	42,180,062
Government securities held for trading	20,227,019	-	20,227,019	4,291,818
Deposits with financial institutions	3,331,358	320,566	3,651,924	3,099,593
Total interest bearing assets	**60,668,230**	**320,566**	**60,988,796**	**51,964,356**

(ii) Currency risk

Foreign exchange currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. The currency risk is also effectively managed by ensuring that the transactions between the Group and other parties are designated in the functional currencies of the individual Group companies.

At 31 December 2018, if the Kenya shilling had weakened/strengthened by 1% against the Uganda Shillings with all other variables held constant the profit before tax for the year would have been increased/decreased by Shs 0.116 million (2017: Shs 0.787 million) mainly as a result of ICEA Life Assurance (U) Company Limited and ICEA General Insurance (U) Company Limited operations.

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

c) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

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

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

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalization of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

The Group has in place a well - developed counterparty model that is used to evaluate banks where the Group can place bank deposits. The model has incorporated Bank performance, governance structures and asset quality in arriving at counter party scores. The counter party model is reviewed bi-annually and banks that do not meet the deposit placement criteria and dropped from the approved bank deposit placement institutions.

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

Classification of credit risk bearing assets

The tables below represent the maximum credit risk exposure to the Group attributable to receivables arising out of direct insurance and reinsurance contracts as at 31 December 2018 and 2017.

GROUP

31 December 2018	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held to maturity	36,708,764	(34,755)	36,674,009
Government securities held for trading	20,460,215	-	20,460,215
Receivables arising from insurance contracts held	98,194	(27,791)	70,403
Receivables arising from reinsurance contracts held	250,729	(152,704)	98,025
Mortgage loans	537,997	(6,225)	531,772
Policy loans	572,647	(4,438)	568,209
Corporate bonds	1,391,569	(9,375)	1,382,194
Corporate bonds held at fair value	39,335	-	39,335
Deposits with financial institutions	4,432,857	(11,448)	4,421,409
Cash and bank balances	121,658	(91)	121,567
Other receivables	427,678	(27,076)	400,602
	65,041,643	**(273,903)**	**64,767,740**

ICEA LION LIFE ASSURANCE

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
c) Credit risk (continued)

GROUP

31 December 2017	Neither past due nor Impaired Shs'000	Past due but not Impaired Shs'000	Impaired Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held to maturity	43,623,099	-	-	-	43,623,099
Government securities held for trading	4,525,865	-	-	-	4,525,865
Receivables arising from insurance contracts held	-	114,847	107,025	(107,025)	114,847
Receivables arising from reinsurance contracts held	206,080	-	-	-	206,080
Mortgage loans	493,758	-	-	-	493,758
Policy loans	547,182	-	-	-	547,182
Corporate bonds	1,434,377	-	-	-	1,434,377
Deposits with financial institutions	3,741,893	-	-	-	3,741,893
Cash and bank balances	181,298	-	-	-	181,298
Other receivables	581,964	-	-	-	581,964
	55,335,516	**114,847**	**107,025**	**(107,025)**	**55,450,363**

COMPANY

31 December 2018	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held to maturity	34,720,566	(34,721)	34,685,845
Government securities held for trading	20,227,019	-	20,227,019
Mortgage loans	537,997	(6,225)	531,772
Policy loans	477,207	(4,438)	472,769
Corporate bonds held to maturity	1,389,507	(9,375)	1,380,132
Corporate bonds held for trading	39,335	-	39,335
Deposits with financial institutions	3,661,997	(10,073)	3,651,924
Cash and bank balances	17,537	(77)	17,460
Other receivables	290,731	(3,122)	287,609
	61,361,896	**(68,031)**	**61,293,865**

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
c) Credit risk (continued)

COMPANY

31 December 2017	Neither past due nor Impaired Shs'000	Past due but not Impaired Shs'000	Impaired Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held to maturity	42,180,062	-	-	-	42,180,062
Government securities held for trading	4,291,818	-	-	-	4,291,818
Receivables arising from reinsurance contracts held	-	-	-	-	-
Mortgage loans	493,758	-	-	-	493,758
Policy loans	469,627	-	-	-	469,627
Corporate bonds	1,429,498	-	-	-	1,429,498
Deposits with financial institutions	3,099,593	-	-	-	3,099,593
Cash and bank balances	46,740	-	-	-	46,740
Other receivables	413,671	-	-	-	413,671
	52,424,767	**-**	**-**	**-**	**52,424,767**

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

The past due debtors are not impaired and continue to be paid. The group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

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

(d) Fair value estimation

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

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

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
(d) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities measured at fair value at 31 December 2018 and 31 December 2017.

GROUP	Level 1	Level 2	Level 3	Total
31 December 2018	Shs '000	Shs '000	Shs '000	Shs '000
Financial assets at fair value through profit or loss				
- Equity securities	6,832,982	-	-	6,832,982
- Debt securities	20,460,215	-	-	20,460,215
Total financial assets	**27,293,197**	**-**	**-**	**27,293,197**
31 December 2017				
Available for sale financial assets				
- Equity instruments	87,744	-	-	87,744
Financial assets at fair value through profit or loss				
- Equity securities	6,162,425	-	-	6,162,425
- Debt securities	4,525,865	-	-	4,525,865
Total financial assets	**10,776,034**	**-**	**-**	**10,776,034**

There were no transfers between levels 1, 2 and 3 in the period (2017: None).

Reconciliation of level 3 fair value measurements

There were no financial assets or financial liabilities measured at fair value on level 3 fair value.

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
(d) Fair value estimation (continued)

The following table presents the Company's financial assets and liabilities measured at fair value at 31 December 2018 and 31 December 2017.

COMPANY	Level 1	Level 2	Level 3	Total
31 December 2018	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Financial assets at fair value through profit or loss				
- Equity securities	6,738,294	-	-	6,738,294
- Debt securities	20,227,019	-	-	20,227,019
Total financial assets	**26,965,313**	**-**	**-**	**26,965,313**
31 December 2017				
Financial assets at fair value through profit or loss				
- Equity securities	6,162,425	-	-	6,162,425
- Debt securities	4,291,818	-	-	4,291,818
Total financial assets	**10,454,243**	**-**	**-**	**10,454,243**

There were no transfers between levels 1, 2 and 3 in the period (2017: None).

Reconciliation of level 3 fair value measurements

There were no financial assets or financial liabilities measured at fair value on level 3 fair value.

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

(e) Capital management

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

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

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

4 MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
(e) Capital management (continued)

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

The Group manages capital in accordance with these rules and has embedded in its ALM framework the necessary tests to ensure continuous and full compliance with such regulations. The Group has complied with all externally imposed capital requirements throughout the year.

Insurance entities in Kenya are governed by the Insurance Act and as such are subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities.

The new capital requirement (Risk Based Capital) were introduced in the Finance Act, 2015. Insurance companies are required to hold paid up capital by the 30th June 2018; the higher of:-
(i) Shs 400 million; or
(ii) risk based capital determined by the Insurance Regulatory Authority (IRA) from time to time; or
(iii) 5% of the liabilities of the life business for the financial year.

In line with risk based methodology, IRA has developed a Risk Based Capital (RBC) model, which is aimed at introducing capital requirements that are commensurate to the levels of risk being undertaken, and provide appropriate incentives for good risk management. The RBC model is a factor based model that computes the capital requirement based on four risk segments: insurance, market, credit and operational risk.

The Company's Capital adequacy ratio position as at 31 December 2018 is as shown below;

	2018 Shs'000	2017 Shs'000
Available Capital	9,520,927	10,050,267
Required Capital	3,424,562	2,855,380
Capital Adequacy ratio	**278%**	**352%**
Required Capital Adequacy ratio	**180%**	**150%**

In Uganda, statutory capital is based on Section 6 of the Insurance Act, 2011.

The Uganda Insurance Act require each insurance company to hold the minimum level of paid up capital as follows;
- General insurance business companies: Ushs 4 billion and
- Long term insurance business companies: Ushs 3 billion

The Insurance Act, 2011 further requires that 2% of the gross written premium or15% of the net profit, whichever is greater, be transferred to the contingency reserve until it equals the minimum paid up capital or 50% of the current year's net written premium, whichever is higher.

Additionally, for a general insurance company, the Insurance Act, 2011 requires that 5% of the net profit for the year be transferred to the capital reserve.

The two insurance companies in Uganda complied with these requirements during the year.

5. GROSS EARNED PREMIUMS

The premium income of the Group is analysed between the main classes of business as shown below:

	Group		Company	
	2018 Shs '000	2017 Shs '000	2018 Shs '000	2017 Shs '000
Long-term business				
Ordinary life	3,007,737	2,863,424	2,506,223	2,450,692
Group life	441,075	451,099	325,615	307,480
Group Credit	218,798	236,243	218,798	236,243
Annuity	783,520	3,429,295	783,520	3,429,295
	4,451,130	**6,980,061**	**3,834,156**	**6,423,710**
Short term business:				
Motor	165,438	168,414	-	-
Fire	86,738	83,902	-	-
Personal accident	85,303	103,780	-	-
Other	245,640	197,288	-	-
	583,119	**553,384**	**-**	**-**
	5,034,249	**7,533,445**	**3,834,156**	**6,423,710**

6. INVESTMENT INCOME

GROUP

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Long term business 2017 Shs'000	Short term business 2017 Shs'000	Total 2017 Shs'000
Investments held to maturity						
Interest from government securities	6,493,653	62,145	6,555,798	5,470,460	45,541	5,516,001
Interest from corporate bonds	196,037	-	196,037	183,637	-	183,637
Interest from unit trusts	-	1,794	1,794	-	-	-
Bank deposit interest	189,453	32,739	222,192	167,732	20,817	188,549
	6,879,143	**96,678**	**6,975,821**	**5,821,829**	**66,358**	**5,888,187**
Investments at fair value through profit or loss						
Fair value (loss) /gains on equity investments (Note 17)	(1,298,190)	-	(1,298,190)	1,010,021	-	1,010,021
Dividends receivable from equity investments	275,649	25,978	301,627	289,730	15,251	304,981
Gain on disposal of equity investments	(26,158)	-	(26,158)	87,258	-	87,258
Fair value gains on treasury bonds	1,089,737	1,915	1,091,652	135,615	11,153	146,768
Fair value gains on unit trusts	15,730	(1,209)	14,521	11,623	3,936	15,559
Interest income on treasury bonds	-	27,427	27,427	-	27,724	27,724
Interest income on unit trusts	-	11,353	11,353	-	5,593	5,593
	56,768	**65,464**	**122,232**	**1,534,247**	**63,657**	**1,597,904**
Loans and receivables						
Loan interest receivable-mortgages	77,635	-	77,635	62,639	-	62,639
Loan interest receivable-policy loans	9,833	-	9,833	76,628	-	76,628
	87,468	**-**	**87,468**	**139,267**	**-**	**139,267**
Investment properties						
Fair value gains on investment properties (Note 16)	252,000	6,000	258,000	300,653	40,000	340,653
Rental income from investment properties	431,158	24,466	455,624	368,695	57,122	425,817
	683,158	**30,466**	**713,624**	**669,348**	**97,122**	**766,470**
Other investments income						
Miscellaneous income	20	140	160	54	167	221
Net investment income	**7,706,557**	**192,748**	**7,899,305**	**8,164,745**	**227,304**	**8,392,049**

6. INVESTMENT INCOME (CONTINUED)

COMPANY	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Long term business 2017 Shs'000	Short term business 2017 Shs'000	Total 2017 Shs'000
Investments held to maturity						
Interest from government securities	6,287,868	18,783	6,306,651	5,299,419	18,704	5,318,123
Interest from corporate bonds	196,037		196,037	183,637	-	183,637
Bank deposit interest	153,626	27,244	180,870	110,274	12,845	123,119
	6,637,531	**46,027**	**6,683,558**	**5,593,330**	**31,549**	**5,624,879**
Investments at fair value through profit or loss						
Fair value (loss) /gains on equity investments (Note 17)	(1,303,871)	-	(1,303,871)	1,010,021	-	1,010,021
Dividends receivable from equity investments	272,895	25,000	297,895	286,559	15,000	301,559
Gain on disposal of equity investments	(26,158)		(26,158)	87,258	-	87,258
Fair value gains on treasury bonds	1,089,737		1,089,737	135,615	-	135,615
Fair value gains on unit trusts	15,613	(1,201)	14,412	11,291	3,881	15,172
	48,216	**23,799**	**72,015**	**1,530,744**	**18,881**	**1,549,625**
Loans and receivables						
Loan interest receivable-mortgages	77,635	-	77,635	62,639	-	62,639
Loan interest receivable-policy loans	4,338	-	4,338	68,296	-	68,296
	81,973	**-**	**81,973**	**130,935**	**-**	**130,935**
Investment properties						
Fair value gains on investment properties (Note 16)	252,000	6,000	258,000	300,653	40,000	340,653
Rental income from investment properties	452,543	24,466	477,009	385,998	57,122	443,120
	704,543	**30,466**	**735,009**	**686,651**	**97,122**	**783,773**
Other investments income						
Miscellaneous income	-	-	-	-	-	-
Investment Expenses	(76,740)	(1,310)	(78,050)	(65,736)	(1,107)	(66,843)
Net investment income	**7,395,523**	**98,982**	**7,494,505**	**7,875,924**	**146,445**	**8,022,369**

7. OTHER OPERATING INCOME

GROUP

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Others	29,007	3,974	32,981	13,315
Reversal of impairment of fixed deposit	-	-	-	150,784
Allowance for expected credit income	8,534	17,414	25,948	-
	37,541	**21,388**	**58,929**	**165,895**

COMPANY

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Others	27,855	1,749	29,604	11,356
Reversal of impairment of fixed deposit	-	-	-	150,784
Allowance for expected credit income	8,272	(362)	8,360	-
	36,577	**1,387**	**37,964**	**162,140**

8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

GROUP

	2018 Shs'000	2017 Shs'000
Long term insurance business		
Death and disability claims	311,640	353,579
Life maturity claims	703,644	921,760
Surrenders	169,148	118,438
Annuity payments	1,121,669	932,909
Interest payable to policy holders and on deposit admin contracts	3,926,907	3,676,625
Increase /(decrease) in actuarial liabilities	4,435,735	6,487,200
Reinsurance recoveries	(47,057)	(84,182)
	10,621,686	**12,406,329**
General insurance business		
Motor	59,301	71,299
Fire	6,280	11,171
Personal accident	13,705	18,387
Other	145,994	92,565
Reinsurance recoveries	(65,090)	(86,935)
	160,190	**106,487**
Total claims and policy holder benefits payable	**10,781,876**	**12,512,816**

8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE (CONTINUED)

COMPANY	2018	2017
Long term insurance business	**Shs'000**	**Shs'000**
Death and disability claims	246,916	312,790
Life maturity claims	616,654	862,737
Surrenders	169,148	118,438
Annuity payments	1,121,669	932,909
Interest payable to policy holders and on deposit admin contracts	3,815,014	3,597,855
Increase /(decrease) in actuarial liabilities	4,157,310	6,338,422
Reinsurance recoveries	(25,993)	(78,354)
	10,100,718	**12,084,797**

9. OTHER OPERATING EXPENSES

GROUP	2018	2017
	Shs'000	**Shs'000**
Employee benefit expense (see note below)	915,173	781,597
Auditors' remuneration	7,122	7,884
Directors' emoluments	4,452	2,955
Depreciation and amortization	75,483	106,996
Impairment charge for doubtful receivables - premium debtors	102,173	81,831
Repairs and maintenance expenditure	5,006	6,964
Rental charges	175,306	160,420
Business promotions	90,149	74,614
Insurance premiums	51,155	33,968
Bank charges	33,857	33,850
Printing & stationery	27,070	22,036
Premium tax	33,426	37,081
Fund Administration fees	36,461	26,621
Technology expenditure	61,102	51,681
Professional fees	17,115	26,316
Communication expenditure	15,002	15,843
Other	193,724	197,446
	1,843,776	**1,668,103**

Key items included in other expenses are fund medical expenses, stamp duty, corporate trustee fees, office tea and consumables, check-off administration fees and policy holders protection levy.

9. OTHER OPERATING EXPENSES (CONTINUED)

	2018 Shs'000	2017 Shs'000
Employee benefit expense		
Employee benefit expense comprise the following:		
- Salaries and wages	608,861	507,396
- NSSF costs	19,929	13,027
- Defined contribution scheme	60,311	60,503
- Performance bonus	109,610	90,153
- Medical expenses	31,831	31,315
- Training	24,080	15,011
- Travelling allowance	30,962	30,440
- Commuter allowance	-	709
- Subscription professional staff	609	1,003
- Staff mortgage subsidy	21,334	19,863
- Staff housing	7,646	12,177
	915,173	**781,597**

COMPANY

	2018 Shs'000	2017 Shs'000
Employee benefit expense	551,151	452,542
Auditors' remuneration	2,659	3,798
Directors' emoluments	3,150	1,064
Depreciation and amortization	53,261	82,285
Repairs and maintenance expenditure	3,416	4,717
Rental charges	101,495	89,848
Business promotions	61,066	40,162
Insurance premiums	31,776	21,453
Bank charges	22,169	22,167
Printing & stationery	13,758	10,593
Premium tax	25,349	24,172
Fund Administration fees	29,451	26,621
Technology expenditure	49,916	37,030
Professional fees	14,428	22,552
Communication expenditure	9,394	10,322
Other	124,148	148,582
	1,096,587	**997,908**

Key items included in other expenses are fund medical expenses, stamp duty, corporate trustee fees, office tea and consumables, check-off administration fees and policy holders protection levy.

9. OTHER OPERATING EXPENSES (CONTINUED)

Employee benefit expense	2018 Shs'000	2017 Shs'000
Employee benefit expense comprise the following:		
- Salaries and wages	348,652	271,177
- NSSF costs	553	583
- Defined contribution scheme	47,934	44,828
- Performance bonus	73,600	65,231
- Medical expenses	26,637	22,919
- Training	11,224	7,496
- Travelling allowance	27,871	26,584
- Commuter allowance	-	709
- Subscription professional staff	307	571
- Staff mortgage subsidy	14,373	12,444
	551,151	**452,542**

	Group		Company	
	2018	2017	2018	2017
The average number of employees during the year was as follows:				
Business Development	56	42	23	20
Operations	180	174	101	96
Management and administration	37	37	14	13
	273	**253**	**138**	**129**

10. INCOME TAX EXPENSE

GROUP

	2018 Shs'000	2017 Shs'000
Current income tax	165,753	240,618
Deferred income tax (credit) / charge (Note 34)	(433,736)	(215,137)
Income tax expense	**(267,983)**	**25,481**

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

GROUP

	2018 Shs'000	2017 Shs'000
Profit before income tax	(412,231)	1,214,873
Tax calculated at domestic tax rates applicable to profits in the respective countries 30% (2017: 30%)	(123,669)	364,462
Tax effects of:		
– Income not subject to tax	(697,529)	(810,839)
– Expenses not deductible for tax purposes	553,216	471,860
Income tax expense	**(267,983)**	**25,481**

COMPANY

	2018 Shs'000	2017 Shs'000
Current income tax	171,257	155,651
Deferred income tax (credit) / charge (Note 34)	(480,108)	(178,156)
Income tax expense	**(308,851)**	**(22,505)**

The income tax expense on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2018 Shs'000	2017 Shs'000
Profit before income tax	(619,850)	852,933
Tax calculated at domestic tax rates applicable to profits in the respective countries 30% (2017: 30%)	(185,955)	255,880
Tax effects of:		
– Income not subject to tax	(636,523)	(748,817)
– Expenses not deductible for tax purposes	513,627	470,432
Income tax expense	**(308,851)**	**(22,505)**

11. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
(Loss)/Profit for the year (Shs' 000)	(144,248)	1,189,391	(310,998)	875,438
Number of ordinary shares	22,500	22,500	22,500	22,500
Basic (loss)/earnings per share (Shs)	**(6.41)**	**52.86**	**(13.82)**	**38.91**

The basic earnings per share is the same as the diluted earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

12. RESERVES

Statutory reserves

The statutory reserve relates to;

Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings.

(i) The surplus on the long term business which is not distributable as dividends as per the requirements of the Insurance Act.

(ii) The contingency reserve under the Uganda subsidiary which is set up under Section 47(2) (c) of the Uganda Insurance Statute 1996. The reserve is provided for at the greater of 2% of the gross premium income, and 15% of net profit each year effective from 1996 and is required to accumulate until it reaches the greater of either minimum paid up capital or 50% of the net premiums written.

Revaluation reserve

Revaluation reserve relates to gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale. The reserve is not distributable.

Currency translation reserve

Currency translation reserve relates to translation gains and losses arising as a result of translating opening balances using exchange rates at the close of the period rather than exchange rates at the beginning of the period on consolidation of the subsidiaries.

13. DIVIDENDS

In respect of 2018, no interim dividend was paid (2017: Shs 200 million). The directors recommend a final dividend of Shs 10 per share amounting to 250 million. (2017: Shs 8.89 per share amounting to Shs 200 million).

ICEA LION LIFE ASSURANCE

14. MOTOR VEHICLE AND EQUIPMENT

GROUP

	Motor vehicles Shs'000	Computers Shs'000	Fittings and equipment Shs'000	Work in progress Shs'000	Total Shs'000
COST					
At 1 January 2017	43,199	151,518	260,367	4,124	459,208
Additions	5,780	9,804	11,852	-	27,436
Transfer from WIP	-	-	4,124	(4,124)	-
Disposals	(5,636)	(71)	(243)	-	(5,950)
Exchange difference	19	32	80	-	131
At 31 December 2017	**43,362**	**161,283**	**276,180**	**-**	**480,825**
At 1 January 2018	43,362	161,283	276,180	-	480,825
Additions	-	17,452	24,461	-	41,913
Disposals	(4,512)	(8,057)	(1,404)	-	(13,973)
Exchange difference	(425)	(1,006)	(2,692)	-	(4,123)
At 31 December 2018	**38,425**	**169,672**	**296,545**		**504,642**
DEPRECIATION					
At 1 January 2017	26,737	108,478	101,670	-	236,885
Charge for the year	7,408	34,127	37,844	-	79,379
Eliminated on disposals	-	(58)	(5,879)	-	(5,937)
Exchange differences	(4)	20	1	-	17
At 31 December 2017	**34,141**	**142,567**	**133,636**	**-**	**310,344**
At 1 January 2018	34,141	142,567	133,636	-	310,344
Charge for the year	5,569	20,082	30,319	-	55,970
Eliminated on disposals	(4,512)	(8,057)	(1,379)	-	(13,948)
Exchange differences	(118)	(681)	(923)	-	(1,722)
At 31 December 2018	**35,080**	**153,911**	**161,653**	**-**	**350,644**
NET BOOK VALUE					
At 31 December 2018	**3,345**	**15,761**	**134,892**	**-**	**153,998**
At 31 December 2017	**9,221**	**18,716**	**142,544**	**-**	**170,481**

14. MOTOR VEHICLE AND EQUIPMENT (CONTINUED)

COMPANY

	Motor vehicles Shs'000	Computers Shs'000	Fittings and equipment Shs'000	Work in progress Shs'000	Total Shs'000
COST					
At 1 January 2017	31,173	121,008	175,862	4,124	332,167
Additions	-	4,333	-	-	4,333
Transfer from WIP	-	-	4,124	(4,124)	-
Disposals	-	-	(70)	-	(70)
At 31 December 2017	**31,173**	**125,341**	**179,916**	**-**	**336,430**
At 1 January 2018	31,173	125,341	179,916	-	336,430
Additions	-	13,315	18,373	-	31,688
Disposals	(4,512)	(7,913)	-	-	(12,425)
At 31 December 2018	**26,661**	**130,743**	**198,289**		**355,693**
DEPRECIATION					
At 1 January 2017	24,167	88,490	72,209	-	184,866
Charge for the year	3,809	25,568	27,202	-	56,579
Eliminated on disposals					
At 31 December 2017	**27,976**	**114,058**	**99,411**	**-**	**241,445**
At 1 January 2018	27,976	114,058	99,411	-	241,445
Charge for the year	1,252	14,245	19,754	-	35,251
Eliminated on disposals	(4,512)	(7,913)	-	-	(12,425)
At 31 December 2018	**24,716**	**120,390**	**119,165**	-	**264,271**
NET BOOK VALUE					
At 31 December 2018	**1,945**	**10,353**	**79,124**	**-**	**91,422**
At 31 December 2017	**3,197**	**11,283**	**80,505**	**-**	**94,985**

15. INTANGIBLE ASSETS

GROUP AND COMPANY– LONG TERM BUSINESS	2018 Shs'000	2017 Shs'000
COST		
At 1 January	107,444	92,479
Additions	14,506	14,965
At 31 December	**121,950**	**107,444**
AMORTISATION		
At 1 January	89,212	63,508
Charge for the year	18,010	25,704
At 31 December	**107,222**	**89,212**
NET BOOK VALUE		
At 31 December	**14,728**	**18,232**
GROUP– SHORT TERM BUSINESS		
COST		
At 1 January	16,239	16,143
Additions		90
Exchange difference	(119)	6
At 31 December	**16,120**	**16,239**
AMORTISATION		
At 1 January	13,946	12,028
Charge for the year	1,503	1,913
Exchange difference	(105)	5
At 31 December	**15,344**	**13,946**
NET BOOK VALUE		
At 31 December 2018	**776**	**2,293**

16. INVESTMENT PROPERTIES – GROUP AND COMPANY

	Long term business Shs'000	Short term business Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
At start of year	9,036,000	1,240,000	10,276,000	9,882,477
Additions	-	-	-	52,870
Fair value gains (Note 6)	252,000	6,000	258,000	340,653
At year end	**9,288,000**	**1,246,000**	**10,534,000**	**10,276,000**

The investment properties were last revalued on 31 December 2018 by Kiragu & Mwangi Limited, independent valuers, on an open market basis using the highest and best use principle. The properties are managed by Knight Frank Kenya Limited. The rental income received from the investment properties for the group was Shs 455,624,000 (2017: Shs 425,817,000) company was Shs 477,009,000 (2017: Shs 443,120,000) (Note 6).

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

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

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
At 31 December 2018				
Investment property	-	10,534,000	-	10,534,000
At 31 December 2017				
Investment property	-	10,276,000	-	10,276,000

Valuation technique used to derive level 2 fair values

Level 2 fair value of investment properties has been derived using discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales.

17. EQUITY INVESTMENTS

GROUP

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Quoted investments - available for sale				
At 1 January	76,582	11,162	87,744	84,867
Additions	-	-	-	10,777
Disposals	-	-	-	-
Fair value (losses) /gains	-	-	-	(7,987)
Re- classified to FVTPL	(76,582)	(11,162)	(87,744)	-
Exchange adjustments	-	-	-	87
At 31 December	**-**	**-**	**-**	**87,744**

GROUP

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Quoted investments - at fair value through profit or loss				
At 1 January	6,162,425	-	6,162,425	5,149,380
Re- classified from AFS	76,582	11,162	87,744	-
Additions	2,025,777	-	2,025,777	1,078,584
Disposals	(144,893)	-	(144,893)	(1,075,560)
Fair value gains /((losses) (Note 6)	(1,298,190)	-	(1,298,190)	1,010,021
Exchange adjustments	(17)	136	119	-
At 31 December	**6,821,684**	**11,298**	**6,832,982**	**6,162,425**

COMPANY

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Quoted investments - at fair value through profit or loss				
At 1 January	6,162,425	-	6,162,425	5,149,380
Additions	2,022,115	-	2,022,115	1,078,584
Disposals	(142,375)	-	(142,375)	(1,075,560)
Fair value gains /((losses) (Note 6)	(1,303,871)	-	(1,303,871)	1,010,021
At 31 December	**6,738,294**	**-**	**6,738,294**	**6,162,425**

18. INVESTMENTS IN SUBSIDIARIES – AT COST

	COMPANY			
	Long term Shs'000	Short term Shs'000	2018 Shs'000	2017 Shs'000
ICEA LION Asset Management Limited	-	34,596	34,596	34,596
ITSL Trust Company Limited	-	10,000	10,000	10,000
Riverside Park Limited	9,823	-	9,823	9,823
ICEA Life Assurance Company Limited	-	151,234	151,234	151,234
ICEA Asset Management Limited	-	4,250	4,250	4,250
ICEA General Insurance Company Limited	-	483,021	483,021	288,021
	9,823	**683,101**	**692,924**	**497,924**

All the above subsidiaries are 100% owned by ICEA LION Life Assurance Company Limited.

Subsidiary	*Principal business activity*
ICEA LION Asset Management Limited	Management of investment portfolios for clients.
ITSL Trust Company Limited	Provision of administration and trustee services to retirement benefit schemes and other clients.
ICEA Life Assurance Company Limited - Uganda	Transacts life insurance business and pension scheme administration after transferring the general business to ICEA General Insurance Company Limited on 1st September 2014
ICEA General Insurance Company Limited - Uganda	Transacts general insurance business.
Riverside Park Limited	The company ceased trading on 31 December 1996 and is dormant.

19. INVESTMENTS IN ASSOCIATE

GROUP AND COMPANY– SHORT TERM BUSINESS	2018 Shs'000	2017 Shs'000
Company's shares of net assets;		
At 1 January	1,051,627	855,512
Acquisitions	225,355	-
Loss on Purchase	(24,811)	
Share of profit	190,204	165,754
Share of other comprehensive income	-	30,361
Dividends received	(25,000)	-
At 31 December	**1,417,375**	**1,051,627**

19. INVESTMENTS IN ASSOCIATE (CONTINUED)

Further information on the associate company is shown below:

Company	*Share capital Shs*	*% owned*	*Country of Incorporation*	*Principal activity*
East Africa Reinsurance Company Limited	*1,000,000*	*30.91% (2017 25%)*	*Kenya*	*Underwriting all classes of reinsurance and reassurance businesses*

An additional 5.91% was bought within the year.

A summary of financial information as of 31 December 2018 and for the year then ended in respect of the associate company is set out below:

	2018 Shs'000	2017 Shs'000
Total assets	9,675,932	8,981,149
Total liabilities	5,088,958	(4,896,088)
Net assets	4,586,974	4,085,061
Group's share of the net assets	**1,417,834**	**1,021,265**
Net earned premiums	3,544,096	3,645,640
Profit before income tax	822,779	817,398
Income tax expense	(207,232)	(215,831)
Profit for the year	615,547	601,567
Other comprehensive income	-	121,448
Total comprehensive income for the year	**615,547**	**723,015**

COMPANY

At cost	2018 Shs'000	2017 Shs'000
At 1st January	328,567	328,567
Additions	225,355	-
At 31 December	**553,922**	**328,567**

20. KENYA MOTOR INSURANCE POOL- GROUP AND COMPANY

The Kenya Motor Insurance Pool (KMIP) was a mandatory pool set up to provide motor cover under pooled arrangement. KMIP has ceased underwriting and is now dormant though its investments continue to earn income. This balance is recoverable from the pool through a refund amount due upon distribution of the pool assets.

(a) Details of the Group's share in the pool as at the end of the reporting period are as follows;

Name	**Country of incorporation and operation**	**Principal activity**	**Proportion of ownership interest and voting power held by the company**	
			2018	**2017**
Kenya Motor Insurance Pool	Kenya	Sharing of pool business and risks by underwriting and investments.	5.34%	5.34%

20. KENYA MOTOR INSURANCE POOL- GROUP AND COMPANY (CONTINUED)

(b) The movement in the amount due is shown below;

	2018 Shs'000	2017 Shs'000
At 1 January	45,450	40,494
Net increase in Group share of net assets of the pool	1,494	4,956
	46,944	**45,450**

21. LOANS RECEIVABLE

(a) Mortgage loans - GROUP AND COMPANY

	2018 Shs'000	2017 Shs'000
At 1 January	493,758	386,788
Loans advanced	95,334	175,877
Interest charged	31,524	24,232
Loans repayments	(82,619)	(93,139)
Allowance for expected credit losses	(6,225)	-
At 31 December	**531,772**	**493,758**

Maturity profile of mortgage loans:

	2018 Shs'000	2017 Shs'000
Loans maturing:		
Within 1 year	1,247	4,461
1 to 5 years	38,670	17,916
Over 5 years	491,855	471,381
	531,772	**493,758**

(b) Policy loans

GROUP

	2018 Shs'000	2017 Shs'000
At 1 January	547,182	486,055
Loans advanced	177,373	152,059
Interest charged	9,833	76,627
Loans repayments	(158,853)	(167,649)
Allowance for expected credit losses	(4,438)	-
Exchange adjustments	(2,888)	90
	568,209	**547,182**

21. LOANS RECEIVABLE (CONTINUED)

Policy Loans (Continued)

	2018 Shs'000	2017 Shs'000
Maturity profile of policy loans:		
Loans maturing:		
Within 1 year	188,318	112,340
1-5 years	221,303	289,672
Over 5 years	158,588	145,170
	568,209	**547,182**

COMPANY

	2018 Shs'000	2017 Shs'000
At 1 January	469,627	431,955
Loans advanced	133,707	129,097
Interest charged	4,338	68,295
Loans repayments	(130,465)	(159,720)
Allowance for expected credit losses	(4,438)	-
At 31 December	**472,769**	**469,627**
Maturity profile of policy loans:		
Loans maturing:		
Within 1 year	184,061	90,848
1-5 years	177,973	238,580
Over 5 years	110,735	140,199
	472,769	**469,627**

22. DEFERRED ACQUISITION COSTS

GROUP

	2018 Shs'000	2017 Shs'000
At start of the year	33,542	41,286
Net increase	8,962	(7,817)
Exchange adjustments	(1,065)	73
At end of the year	**41,439**	**33,542**

23. REINSURERS' SHARE OF INSURANCE LIABILITIES

	GROUP		COMPANY	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Reinsurers' share of:				
Notified outstanding claims	276,687	175,206	12,108	9,023
Reinsurence share of IBNR	36,775	-	-	-
	313,462	**175,206**	**12,108**	**9,023**

24. OTHER RECEIVABLES

GROUP	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Due from related companies (Note 38)	31,178	37,084	68,262	64,721
Staff advances	28,207	3,304	31,511	31,635
Trade debtors	-	71,177	71,177	-
Others	223,253	6,400	229,653	485,608
	282,638	**117,965**	**400,603**	**581,964**
COMPANY				
Due from related companies (Note 38)	157,799	38,837	196,636	159,017
Staff advances	25,779	3,118	28,897	22,189
Others	60,016	2,060	62,076	232,465
	243,594	**44,015**	**287,609**	**413,671**

The carrying value of other receivables above approximates their fair value

25. CORPORATE BONDS

GROUP	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Corporate bonds maturing:				
- within one year	760,575	-	760,575	86,847
- 1 to 5 years	592,691	2,062	594,753	1,347,530
- After 5 years	36,241	-	36,241	-
- Allowance for expected credit losses	(9,375)	-	(9,375)	-
	1,380,132	**2,062**	**1,382,194**	**1,434,377**

25. CORPORATE BONDS (CONTINUED)

COMPANY

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Held to maturity				
- within one year	760,575	-	760,575	86,846
- 1 to 5 years	592,691	-	592,691	1,342,652
- After 5 years	36,241	-	36,241	-
- Allowance for expected credit losses	(9,375)	-	(9,375)	-
	1,380,132	**-**	**1,380,132**	**1,429,498**
Held for Trading - Group and Company				
Corporate bonds maturing:				
- within one year	39,335	-	39,335	-
- 1 to 5 years	-	-	-	-
- After 5 years	-	-	-	-
	39,335	**-**	**39,335**	**-**

26. GOVERNMENT SECURITIES

GROUP

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Held to maturity				
Treasury bills and bonds maturing:				
- within one year	542,684	243,244	785,928	2,389,380
- 1 to 5 years	12,125,286	144,519	12,269,805	7,955,619
- After 5 years	23,618,276	-	23,618,276	33,278,100
	36,286,246	**387,763**	**36,674,009**	**43,623,099**
Held for trading				
Treasury bills and bonds maturing:				
- within one year	230,834	6,344	237,178	1,029
- 1 to 5 years	4,241,080	54,859	4,295,939	230,110
- After 5 years	15,755,105	171,993	15,927,098	4,294,726
	20,227,019	**233,196**	**20,460,215**	**4,525,865**
COMPANY				
Held to maturity				
Treasury bills and bonds maturing:				
- within one year	173,541		173,541	2,209,119
- 1 to 5 years	11,143,807		11,143,807	6,936,839
- After 5 years	23,368,497		23,368,497	33,034,104
	34,685,845		**34,685,845**	**42,180,062**

26. GOVERNMENT SECURITIES (CONTINUED)

COMPANY

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Held for trading				
Treasury bills and bonds maturing:				
- within one year	230,834	-	230,834	-
- 1 to 5 years	4,241,080	-	4,241,080	214,835
- After 5 years	15,755,105	-	15,755,105	4,076,983
	20,227,019	**-**	**20,227,019**	**4,291,818**

Treasury bonds amounting to Shs 4,324,000,000 (2017: Shs 3,454,000,000) are held under lien with the Central Bank of Kenya.

27. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
GROUP				
Maturing within 90 days	755,585	620,888	1,376,473	3,113,327
Maturing after 90 days	3,004,682	40,254	3,044,936	628,566
	3,760,267	**661,142**	**4,421,409**	**3,741,893**
COMPANY				
Maturing within 90 days	623,528	279,923	903,451	2,743,534
Maturing after 90 days	2,707,830	40,643	2,748,473	356,059
	3,331,358	**321,566**	**3,651,924**	**3,099,593**

Weighted average effective rates – GROUP AND COMPANY
The following table summarises the weighted average effective interest rates at the year end on the principle interest bearing investments.

	2018	2017
Mortgage loans	15%	15%
Policy loans	15%	15%
Government securities	12%	13%
Corporate bonds	13%	11%

ICEA LION LIFE ASSURANCE

28. SHARE CAPITAL

GROUP AND COMPANY

	Ordinary shares			
	Number of shares	Long term Shs'000	Short term Shs'000	Total Shs'000
Balance at 1 January 2017, 31 December 2017 and 31 December 2018	22,500,000	150,000	300,000	450,000

The total authorised number of ordinary shares is 22,500,000 with a par value of Shs 20 per share. All issued shares are fully paid.

29. UNEARNED PREMIUM

GROUP

	2018 Shs'000	2017 Shs'000
At 1 January	126,289	116,152
Increase	12,499	9,937
Exchange adjustments	(4,207)	200
At 31 December	**134,581**	**126,289**

30. INSURANCE CONTRACT LIABILITIES

GROUP AND COMPANY

	GROUP		COMPANY	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
(a) Long term insurance contracts				
- claims reported and claims handling expenses	182,768	172,196	134,079	104,731
- actuarial liabilities with respect to contracts in force	21,433,510	17,039,839	20,371,239	16,216,836
	21,616,278	**17,212,035**	**20,505,318**	**16,321,567**
(b) Short term non-life insurance contracts:				
- claims reported and claims handling expenses	376,646	185,846	-	-
- claims incurred but not reported	60,528	27,877	-	-
Total – short term	**437,174**	**213,723**	-	-
	22,053,452	**17,425,758**	**20,505,318**	**16,321,567**

Insurance contract liabilities comprises gross claims reported, claims handling expenses and actuarial liabilities with respect to all contracts in force for ordinary (including unit linked policies) and group life business.

Movements in insurance liabilities and reinsurance assets are shown in Note 31.

31. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Gross	Reinsurance	Net 2018	Gross	Reinsurance	Net 2017
At 1 January	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Notified claims	185,846	(111,425)	74,421	155,084	(96,573)	58,511
IBNR	27,877	(16,714)	11,163	23,263	(14,485)	8,778
At 1 January	**213,723**	**(128,139)**	**85,584**	**178,347**	**(111,058)**	**67,289**
Claims incurred in current year	373,344	(153,851)	219,493	210,326	(103,827)	106,499
Payment for claims	(149,893)	45	(149,848)	(175,253)	86,935	(88,318)
Exchange difference	-	-	-	303	(189)	114
	223,451	**(153,806)**	**69,645**	**35,376**	**(17,081)**	**18,295**
At 31 December	**437,174**	**(281,945)**	**155,229**	**213,723**	**(128,139)**	**85,584**
Notified claims	380,152	(245,169)	134,983	185,846	(111,425)	74,421
IBNR	57,022	(36,776)	20,246	27,877	(16,714)	11,163
At 31 December	**437,174**	**(281,945)**	**155,229**	**213,723**	**(128,139)**	**85,584**
Long term						
At 1 January	17,212,035	-	17,212,035	10,556,834	-	10,556,834
Actuarial liabilities movement for current year	4,404,243	-	4,404,243	6,655,201	-	6,655,201
	21,616,278	**-**	**21,616,278**	**17,212,035**	**-**	**17,212,035**
Total	**22,053,452**	**(281,945)**	**21,771,508**	**17,425,758**	**(128,139)**	**17,297,619**

32 (A) AMOUNTS PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

Deposit administration contract liabilities are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 9% for the year (2017: 10%).

	2018	2017
GROUP	Shs'000	Shs'000
At 1 January	41,616,647	35,721,978
Deposit administration contributions received	8,529,190	6,772,343
Surrenders	(5,026,969)	(4,394,546)
Interest payable to policyholders	3,901,281	3,662,601
Tax on unregistered schemes	(222,250)	(158,445)
Adjustment in actuarial liabilities	(6,536)	11,546
Exchange adjustments	(27,057)	1,170
At 31 December	**48,764,306**	**41,616,647**

32 (A) AMOUNTS PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS (CONTINUED)

COMPANY	2018 Shs'000	2017 Shs'000
At 1 January	40,786,023	35,031,026
Deposit administration contributions received	8,242,547	6,544,852
Surrenders	(4,813,573)	(4,236,317)
Interest payable to policyholders	3,815,014	3,597,855
Tax on unregistered schemes	(217,349)	(151,393)
At 31 December	**47,812,662**	**40,786,023**

32. (B) AMOUNTS PAYABLE UNDER UNIT LINKED POLICIES

Deposit administration contract liabilities are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 9% for the year (2017: 10%).

GROUP AND COMPANY	2018 Shs'000	2017 Shs'000
At 1 January	439,693	405,064
Premiums Received	37,184	47,151
Claims Paid	(113,922)	(50,427)
Investment Income on Unit Linked Products	(58,514)	183,733
Adjustment in actuarial liabilities	2,907	(145,828)
	307,348	**439,693**

33. OTHER PAYABLES

GROUP	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Amounts due to related companies (Note 38)	53,394	20,250	73,644	69,990
Withholding taxed payable	24,281	-	24,281	-
Accrued expenses	150,723	-	150,723	128,206
Statutory deductions payable	12,728	-	12,728	-
Rent deposits	39,234	3,697	42,931	54,424
Other liabilities	316,576	209,170	525,746	543,638
Exchange adjustments	-	-	-	-
	596,936	**233,117**	**830,053**	**796,258**

33. OTHER PAYABLES (CONTINUED)

COMPANY

	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Amounts due to related companies (Note 38)	85,076	65,552	150,628	130,751
Accrued expenses	150,723	-	150,723	128,206
Rent deposits	39,234	3,696	42,930	54,423
Other liabilities	182,965	73,798	256,763	201,798
	457,998	**143,046**	**601,044**	**515,178**

The carrying value of other payables above approximates their fair value.

34. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2017: 30%). Deferred tax assets and liabilities are attributable to the following items:

GROUP

Year ended 31 December 2018	At 1 Jan 2018 Shs'000	(Credited/ charged to Profit and Loss Shs'000	Prior Year adjustment	At 31 Dec 2018 Shs'000
Deferred income tax asset				
Property and equipment on historical cost basis	(489)	(44)	-	(533)
Unrealised exchange gains	(20,106)	-	-	(20,106)
Provision for liabilities and charges	(69,426)	48,262	-	(21,164)
Tax losses carried forward	(14,252)	-	-	(14,252)
	(104,273)	**48,218**	**-**	**(56,055)**
Deferred income tax liability				
Property and equipment				
- on historical cost basis	302	-	-	302
- on revaluation surplus	(305)	(1,844)	1,653	(496)
Fair value gains on investment property	253,644	1,800	-	255,444
Actuarial reserve	1,363,134	(481,908)	-	881,226
	1,616,775	**(481,952)**	**1,653**	**1,136,475**
Net deferred tax liability	**1,512,502**	**(433,736)**	**1,653**	**1,080,419**

34. DEFERRED INCOME TAX (CONTINUED)

GROUP

Year ended 31 December 2017	At 1 Jan 2017 Shs'000	(Credited/ charged to Profit and Loss Shs'000	Prior Year adjustment	At 31 Dec 2017 Shs'000
Deferred income tax asset				
Property and equipment on historical cost basis	72	(561)	-	(489)
Unrealised exchange gains	(21,594)	1,488	-	(20,106)
Provision for liabilities and charges	(39,908)	(25,271)	(4,247)	(69,426)
Tax losses carried forward	(1,612)	(12,640)	-	(14,252)
	(63,042)	**(36,984)**	**(4,247)**	**(104,273)**
Deferred income tax liability				
Property and equipment				
- on historical cost basis	302	-	-	302
- on revaluation surplus	(706)	-	401	(305)
Fair value gains on investment property	241,644	12,000	-	253,644
Actuarial surplus	1,553,287	(190,153)	-	1,363,134
	1,794,527	**(178,153)**	**401**	**1,616,775**
Net deferred tax liability	**1,731,485**	**(215,137)**	**(3,846)**	**1,512,502**

COMPANY

Year ended 31st December 2018	At 1 Jan 2018 Shs'000	(Credited/ charged to Profit and Loss Shs'000	Prior Year adjustment	At 31 Dec 2018 Shs'000
Deferred income tax asset				
Provision for liabilities and charges	(50,982)	-		(50,982)
	(50,982)	**-**		**(50,982)**
Deferred income tax liability				
Fair value gains on investment property	253,644	1,800	(192)	255,252
Actuarial surplus	1,363,131	(481,908)		881,223
	1,616,775	**(480,108)**	**(192)**	**1,136,475**
Net deferred tax liability	**1,565,793**	**(480,108)**	**(192)**	**1,085,493**

34. DEFERRED INCOME TAX (CONTINUED)

COMPANY

Year ended 31st December 2017	At 1 Jan 2017 Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2017 Shs'000
Deferred income tax asset			
Provision for liabilities and charges	(50,982)	-	(50,982)
	(50,982)	**-**	**(50,982)**
Deferred income tax liability			
Fair value gains on investment property	241,644	12,000	253,644
Actuarial surplus	1,553,287	(190,156)	1,363,131
	1,794,931	**(178,156)**	**1,616,775**
Net deferred tax liability	**1,743,949**	**(178,156)**	**1,565,793**

35. CASH GENERATED FROM OPERATIONS

a) Reconciliation of profit before taxation to cash generated from operations

		GROUP		COMPANY	
		2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
(Loss)/Profit before tax		(412,230)	1,214,873	(619,849)	852,933
Adjustments for:					
Depreciation and amortisation	14 & 15	75,483	106,996	53,261	82,283
Impairment charge for doubtful debtors		-	81,831	-	-
IFRS 9 impairment allowance	2	(184,897)	-	(76,391)	-
Gain on disposal of property and equipment		25	(1,796)	-	-
Share of associate profits	19	(365,748)	(196,115)	-	-
Gain on sale of shares	6	26,158	(87,258)	26,158	(87,258)
Fair value gains on investment properties	16	(258,000)	(340,653)	(258,000)	(340,653)
Fair value gains on treasury bonds	6	(1,091,652)	(146,768)	(1,089,737)	(135,615)
Fair value gain of quoted shares	17	1,298,190	(1,010,021)	1,303,668	(1,010,021)
Fair value gains on unit trusts	6	(14,521)	(15,559)	(14,412)	(15,172)
Dividend income	6	(301,627)	(304,981)	(297,895)	(301,559)
Rental income	6	(455,624)	(425,817)	(477,009)	(443,120)
Interest income	6	(7,102,069)	(6,060,771)	(6,765,531)	(5,755,814)
Changes in working capital:					
Trade and other receivables		185,840	(169,671)	128,119	(145,529)
Technical provisions		11,408,985	12,558,843	11,048,697	12,273,876
Trade and other payables		313,641	52,229	115,214	41,631
Cash generated from operations		**3,121,952**	**5,263,348**	**3,076,497**	**5,015,982**

35. CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Cash and cash equivalents

	GROUP		COMPANY	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Cash and bank balances	121,567	181,298	17,460	46,740
Deposits with financial institutions (Note 27)	1,376,473	3,113,327	903,451	2,743,534
Cash generated from operations	**1,498,040**	**3,294,625**	**920,911**	**2,790,274**

36. CAPITAL COMMITMENTS

Capital expenditure not contracted for at the end of the reporting period date was as follows:

	GROUP		COMPANY	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Property and equipment	1,342	11,842	1,342	11,842

37. OPERATING LEASE COMMITMENTS

The Group and its subsidiaries as at 31st December 2018 had a number of outstanding leases ranging between one year and 6 years. The amounts of unexpired operating leases were as follows;

	2018 Shs'000	2017 Shs'000
GROUP		
Within 1 year	121,296	139,370
More than 1 year	200,352	232,849
	321,648	**372,219**

	2018 Shs'000	2017 Shs'000
COMPANY		
Within 1 year	101,296	99,477
More than 1 year	145,207	176,157
	246,503	**275,634**

38. RELATED PARTY BALANCES AND TRANSACTIONS

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The ultimate holding company is Asset Managers Limited, which is incorporated in Kenya. In the normal course of business, the Group transacts with the following related entities.
- ICEA LION Asset Management Limited – 100% subsidiary
- ITSL Trust Company Limited – 100% subsidiary
- ICEA General Insurance Company Limited – 100% subsidiary
- ICEA Life Assurance Company Limited – 100% subsidiary
- ICEA LION General Insurance Company Limited - common ownership
- Knight Frank Kenya Limited - common ownership
- First Chartered Securities Limited - common ownership

	2018 Shs'000	2017 Shs'000
i) Transactions with related parties		
Management fees - ICEA LION Asset Management Limited	78,050	66,843
ITSL Trust Company Limited	42,442	24,234
Deposits held with other related institutions	1,060,314	1,015,064
ii) Outstanding balances with related parties		
Due to related parties		
GROUP		
First Chartered Securities Limited	15,467	19,276
ICEA LION General Insurance Company Limited	58,177	50,714
	73,644	**69,990**
COMPANY		
Riverside Park Limited	31,682	31,682
ICEA General Insurance Co. Limited	27,709	27,709
ICEA LION General Insurance Co. Limited	53,395	45,838
ICEA LION Asset Management Limited	19,289	7,030
First Chartered Securities Limited	15,467	15,467
ICEA LIFE Assurance Co. (U) Ltd	3,078	3,017
ICEA Trust Company Limited	8	8
	150,628	**130,751**

38. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

	2018 Shs'000	2017 Shs'000
Due from related parties		
GROUP		
ICEA LION General Insurance Company Limited	36,054	39,050
First Chartered Securities Limited	31,611	25,381
Knight Frank Kenya Limited	597	290
	68,262	**64,721**
COMPANY		
ICEA LION General Insurance Company Limited	37,084	39,050
ICEA General Insurance Company Limited	72,439	58,884
ICEA Life Assurance Company Limited	26,986	20,116
ICEA LION Asset Management Limited	20,751	8,162
First Chartered Securities Limited	31,611	25,381
ITSL Trust Company Limited	114	79
Riverside Park Limited	3	3
Knight Frank Kenya Limited	597	290
ICEA Investment services Uganda Ltd	7,052	7,052
	196,637	**159,017**

iii) Key management and directors' remuneration

	2018 Shs'000	2017 Shs'000
GROUP		
Directors' emoluments – fees	4,884	2,091
Key management remuneration	348,016	308,707
	352,900	**310,798**
COMPANY		
Directors' emoluments – fees	3,150	990
Key management remuneration	211,024	184,657
	214,174	**185,647**

SUPPLEMENTARY INFORMATION

APPENDIX I

GROUP LONG TERM BUSINESS REVENUE ACCOUNT

	Other Superannuation Shs'000	Ordinary Life Fund Shs'000	Deposit Administration Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Net premiums written					
Gross premiums written	1,488,208	2,962,922	-	4,451,130	6,980,061
Reassurance premium	(307,300)	(43,247)	-	(350,547)	(301,695)
Net earned premiums	**1,180,908**	**2,919,675**	**-**	**4,100,583**	**6,678,366**
Exchange fluctuation	121	666	611	1,398	5,679
Investment income	2,024,499	846,699	4,873,351	7,744,549	8,321,979
Commissions earned	57,365	6,427	-	63,792	96,219
Total investment and other income	**2,081,985**	**853,792**	**4,873,962**	**7,809,739**	**8,423,877**
Claims paid; life and death	245,772	18,811	-	264,583	269,397
Surrenders	1,142,993	851,468	-	1,994,461	1,973,107
Interest payable to policyholders	-	25,626	3,901,281	3,926,907	3,676,625
Increase in actuarial liabilities	1,613,124	2,829,148	(6,536)	4,435,736	6,487,200
Total claims	**3,001,889**	**3,725,053**	**3,894,745**	**10,621,687**	**12,406,329**
Premium tax	2,404	32,199	-	34,603	32,517
Commissions payable	66,769	576,879	89,179	732,827	681,882
Operating expenses	124,237	761,557	350,278	1,236,072	1,129,365
	193,410	**1,370,635**	**439,457**	**2,003,502**	**1,843,764**
Increase in funds during the year	**67,594**	**(1,322,220)**	**539,760**	**(714,866)**	**852,150**
Income tax expense	22,121	277,868	78,338	378,327	17,481
Increase in funds after tax	**89,715**	**(1,044,352)**	**618,098**	**(336,539)**	**869,631**

ICEA LION LIFE ASSURANCE

APPENDIX II

COMPANY LONG TERM BUSINESS REVENUE ACCOUNT

	Other Superannuation Shs'000	Ordinary Life Fund Shs'000	Deposit Administration Shs'000	Total 2018 Shs'000	Total 2017 Shs'000
Gross earned premiums	1,327,933	2,506,223	-	3,834,156	6,423,710
Less: reassurance premiums ceded	(244,446)	(36,421)	-	(280,867)	(231,330)
Net earned premiums	**1,083,487**	**2,469,802**	**-**	**3,553,289**	**6,192,380**
Investment income	1,989,188	730,258	4,712,654	7,432,100	8,032,632
Commissions earned	90,332	15,744	-	106,076	129,073
Total investment and other income	**2,079,520**	**746,002**	**4,712,654**	**7,538,176**	**8,161,705**
Claims paid; life and death	205,917	15,006	-	220,923	234,436
Surrenders/annuities	1,142,993	764,478	-	1,907,471	1,914,084
Interest payable to policyholders	-	-	3,815,014	3,815,014	3,597,855
Adjustment in actuarial liabilities	1,606,923	2,550,387	-	4,157,310	6,338,422
Total claims	**2,955,833**	**3,329,871**	**3,815,014**	**10,100,718**	**12,084,797**
Premium tax	-	25,349	-	25,349	24,172
Commissions payable	41,158	485,722	87,498	614,378	570,324
Operating expenses	86,477	640,834	343,854	1,071,165	973,611
Total expenses	**127,635**	**1,151,905**	**431,352**	**1,710,892**	**1,568,107**
Increase/(Decrease) in funds during the year	**79,539**	**(1,265,972)**	**466,288**	**(720,145)**	**701,181**
Income tax expense	18,475	256,078	57,355	331,908	62,380
Increase in funds after tax	**98,014**	**(1,009,894)**	**523,643**	**(388,237)**	**763,561**

ICEA LION LIFE ASSURANCE

APPENDIX III

GENERAL BUSINESS CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

	Fire industrial Shs'000	Fire domestic Shs'000	Personal accident Shs'000	Medical Shs'000	Workmen's compensation Shs'000	Marine Shs'000	Engineering Shs'000	Public liability Shs'000	Theft Shs'000	Miscellaneous Shs'000	Motor private Shs'000	Motor commercial Shs'000	2018 Total Shs'000
Gross Premium written	86,747	1,594	87,300	67,289	39,334	32,119	57,311	16,577	46,558	3,716	78,158	78,911	595,614
Changes in gross UPR	1,789	(185)	1,997	4,245	11,906	(30)	1,866	(214)	(389)	(121)	1,634	(10,003)	12,495
Gross earned premiums	84,958	1,779	85,303	63,044	27,428	32,149	55,445	16,791	46,947	3,837	76,524	88,914	583,119
Less: Reinsurance payable	(63,032)	(452)	(53,222)	(46,947)	(4,657)	(24,880)	(53,634)	(11,635)	(20,787)	(3,304)	(2,892)	(6,946)	(292,388)
Net earned premium	**21,926**	**1,327**	**32,081**	**16,097**	**22,771**	**7,269**	**1,810**	**5,156**	**26,160**	**533**	**73,633**	**81,968**	**290,731**
Claims paid	5,850	429	13,705	35,423	4,200	8,168	7,927	3,742	10,634	3,993	22,628	36,673	153,372
Changes in gross outstanding claims	(1,068)	(18)	(2,128)	(2,103)	(1,740)	(948)	(799)	(1,132)	(7,280)	(45,743)	(2,885)	(6,064)	(71,908)
Claims recoverable	(3,672)	-	(7,867)	(24,649)	(1,461)	(7,297)	(6,826)	(3,104)	(264)	(3,016)	(15)	(6,919)	(65,090)
Total claims incurred	**3,246**	**447**	**7,966**	**12,877**	**4,479**	**1,819**	**1,900**	**1,770**	**17,650**	**46,720**	**25,498**	**35,818**	**160,190**
Commissions payable	19,172	307	16,414	7,317	6,781	5,979	12,557	2,737	6,234	683	9,376	10,108	97,665
Commissions receivable	(16,744)	(69)	(12,749)	(5,925)	(975)	(5,355)	(13,993)	(2,800)	(2,718)	(653)	(51)	(588)	(62,620)
Operating expenses	23,894	439	24,047	18,535	10,835	8,847	15,786	4,566	12,824	1,024	21,529	21,736	164,062
Total expenses	**26,322**	**677**	**27,712**	**19,927**	**16,641**	**9,471**	**14,350**	**4,503**	**16,340**	**1,054**	**30,854**	**31,256**	**199,107**
Underwriting profit/(loss)	**(7,642)**	**203**	**(3,597)**	**(16,707)**	**1,651**	**(4,021)**	**(14,440)**	**(1,117)**	**(7,830)**	**(47,241)**	**17,281**	**14,894**	**(68,566)**

SUPPLEMENTARY INFORMATION

ICEA LION LIFE ASSURANCE

FOR THE YEAR ENDED 31 DECEMBER 2017

	Fire industrial Shs'000	Fire domestic Shs'000	Personal accident Shs'000	Medical Shs'000	Workmen's Comp Shs'000	Marine Shs'000	Engineering Shs'000	Public liability Shs'000	Theft Shs'000	Miscellaneous Shs'000	Motor private Shs'000	Motor commercial Shs'000	2017 Total Shs'000
Gross Premium written	81,865	2,038	103,780	40,812	14,234	22,858	26,131	25,973	54,084	23,132	48,205	120,210	563,322
Changes in gross UPR	(1,227)	(75)	(1,124)	1,030	(290)	(222)	(186)	(140)	(865)	(23)	(3,149)	(3,667)	(9,938)
Gross earned premiums	**80,638**	**1,963**	**102,656**	**41,842**	**13,944**	**22,636**	**25,945**	**25,833**	**53,219**	**23,109**	**45,056**	**116,543**	**553,384**
Less: Reinsurance payable	(59,435)	(610)	(68,230)	(28,389)	(4,743)	(20,316)	(19,980)	(23,360)	(23,387)	(20,635)	(5,042)	(17,519)	(291,646)
Net earned premium	**21,203**	**1,353**	**34,426**	**13,453**	**9,201**	**2,320**	**5,965**	**2,473**	**29,832**	**2,474**	**40,014**	**99,024**	**261,738**
Claims paid	12,066	58	20,138	29,675	3,958	8,983	13,393	2,038	24,381	-	16,800	43,763	175,253
Claims recoverable	(7,349)	-	(13,740)	(21,908)	(233)	(8,324)	(10,770)	(974)	(8,522)	-	(608)	(14,507)	(86,935)
Claims Net	(1,005)	52	(1,751)	60	1,281	3,667	(388)	(151)	6,474	(806)	3,573	7,163	18,169
Outstanding Claims C/F													
Outstanding Claims B/F													
Total claims incurred	**3,712**	**110**	**4,647**	**7,827**	**5,006**	**4,326**	**2,235**	**913**	**22,333**	**(806)**	**19,765**	**36,419**	**106,487**
Contribution to IRA													
Commissions payable	24,446	466	23,869	5,029	3,354	5,431	6,672	5,961	11,741	5,148	6,794	18,269	117,180
Movement in DAC													
Commissions receivable	(24,582)	(172)	(23,385)	(4,969)	(1,263)	(6,635)	(7,675)	(7,190)	(4,485)	(6,168)	(268)	(2,098)	(88,890)
Movement in DCI													
Operating expenses	25,034	624	31,736	12,481	4,352	6,990	7,991	7,942	16,538	7,074	14,741	36,760	172,263
Total expenses	**24,898**	**918**	**32,220**	**12,541**	**6,443**	**5,786**	**6,988**	**6,713**	**23,794**	**6,054**	**21,267**	**52,931**	**200,553**
Underwriting profit/(loss)	**(7,407)**	**325**	**(2,441)**	**(6,915)**	**(2,248)**	**(7,792)**	**(3,258)**	**(5,153)**	**(16,295)**	**(2,774)**	**(1,018)**	**9,674**	**(45,302)**

06

APPENDICES

CORPORATE INFORMATION

REGISTERED OFFICE

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Contact Centre: +254 719 071999 | +254 730 151999
+254 (0) 20 2750999
Email: info@icealion.com

SUBSIDIARY COMPANIES

ICEA General Insurance Company Limited
G Kuria Chief Executive Officer

ICEA Life Assurance Company Limited
E Mwaka Chief Executive Officer

ICEA LION Asset Management Limited
E N Kihanda Chief Executive Officer

ITSL Trust Company Limited
J A Juma Head of Business

SECRETARY

Kennedy M Ontiti
Certified Public Secretary (Kenya)
First Chartered Securities Limited
ICEA LION Center, Riverside Park
Chiromo Road, Westlands
P.O Box 30345 – 00100 Nairobi

AUDITOR

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

ADVOCATES

Hamilton Harrison & Mathews
Delta Office Suites, 1st Floor Block A
Off Waiyaki Way, Muthangari
P.O. Box 30333 - 00100
Nairobi

CONSULTING ACTUARIES

Zamara Actuaries, Administrators and Consultants Limited
Landmark Plaza, 10th Floor
Argwings Kodhek Rd
P.O. Box 52439, 00200
Nairobi

BANKERS

NIC Bank Limited
City Centre Branch
P.O Box 30090 – 00100
Nairobi, Kenya

Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
P.O Box 30003 – 00100
Nairobi, Kenya

CORPORATE SOCIAL RESPONSIBILTY (CSR) & INVESTMENT (CSI) 2013 -2018

ICEA LION GROUP CORPORATE SOCIAL RESPONSIBILITY SUPPORT - JANUARY 2013 - DECEMBER 2018

No.	Project	Description	Category	Amount	Life Cost	General Cost
2013						
1	Kenya Paraplegic Organization	Bring Zack Back Campaign	Health	200,000.00	100,000.00	100,000.00
2	Kenya Paraplegic Organization	Charity Golf Tournament	Health	200,000.00	100,000.00	100,000.00
3	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	200,000.00	100,000.00	100,000.00
4	The Association of Kenya Insurers	Annual Medical Camp	Health	50,000.00	25,000.00	25,000.00
5	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	100,000.00	50,000.00	50,000.00
6	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	200,000.00	-	200,000.00
7	Rhino Ark Charitable Trust	Support of Rhino Charge Team	Environment	100,000.00	50,000.00	50,000.00
8	Kahawa Garisson	High School Project	Education	300,000.00	150,000.00	150,000.00
9	August 7 Memorial Trust	In Support of the Needy	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
10	SOS Children's Villages	In Support of the Needy Children	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
11	Lions Club of Kenya	Charity Golf Tournament	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
12	Faraja Cancer Support Trust	Faraja Cancer Centre Development	Health	2,000,000.00	1,000,000.00	1,000,000.00
13	KCB Safari Rally	Official Event Insurer June 2013 - June 2014	Brand Equity - Sports	1,000,000.00	-	1,000,000.00
Total Support Amount				4,800,000.00	1,800,000.00	3,000,000.00
2014						
1	Alexis Foundation	Charity Golf Tournament	Education	75,000.00	37,500.00	37,500.00
2	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	500,000.00	250,000.00	250,000.00
3	Heart to Heart Foundation	Heart Run (Karen Hospital)	Health	50,000.00	25,000.00	25,000.00
4	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
5	Faraja Cancer Support Trust	Purchase of Branded Tee Shirts	Health	200,000.00	100,000.00	100,000.00
6	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
7	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	100,000.00	50,000.00	50,000.00
8	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
9	The Association of Kenya Insurers	Annual Medical Camp - Kamangu Primary - Kiambu	Health	50,000.00	25,000.00	25,000.00
10	Drumbeat Ltd - Amazing Maasai Marathon	Supporting Girl Child Secondary Education in Maasailand -Official Event Insurer	Education	130,000.00	65,000.00	65,000.00
11	The Kenya Red Cross	Annual Gala Dinner for the Disaster Kitty	Special Projects - Disaster Preparedness	300,000.00	-	300,000.00
12	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
Total Support Amount				1,835,299.00	767,649.50	1,067,649.50
2015						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	-	50,000.00
2	Special Olympics Kenya	3 Air Tickets for Special Olympics Swim Team	Special Projects - Sports	500,000.00	250,000.00	250,000.00
3	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	-	300,000.00
5	The Association of Kenya Insurers	Annual Medical Camp - Ngurubaini Primary School - Mwea	Health	70,000.00	35,000.00	35,000.00
6	Consolata Youth Rehabilitation Programme	COYREP & ICEA LION Visit To Clean Up Deep Sea Slum	Brand Equity - Environment	100,000.00	50,000.00	50,000.00
7	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
8	Wema Centre Trust	Annual Fund Raising Dinner	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
9	Help Baby Ivannah	Medical Bill Support For The Late Baby Ivannah	Special Projects - Support of Needy	30,000.00	15,000.00	15,000.00
10	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
11	KCB Safari Rally	Official Event Insurer Jun 2014 - Dec 2015	Brand Equity - Sports	3,000,000.00	-	3,000,000.00
Total Support Amount				4,690,254.00	670,127.00	4,020,127.00
2016						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
2	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	150,000.00	150,000.00
5	Association of Kenya Insurers	Joint Insurers Pensions Awareness Campaign	Special Projects - Financial Literacy	1,000,000.00	500,000.00	500,000.00
6	Jockey Club of Kenya - Horse Derby	111th Kenya Derby Prize Money For Riders	Brand Equity - Sports	1,000,000.00	500,000.00	500,000.00
7	Jockey Club of Kenya - Horse Derby	Social Media Boosting to Advertise Event	Brand Equity - Sports	17,492.80	8,746.40	8,746.40
8	Duke of Edinburgh's Presidential Award Scheme	Feeding Youth During Mt. Kenya Climb	Education	500,000.00	250,000.00	250,000.00
9	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
10	East African & Kenya Motor Sports Club	FIM MotoCross Of African Nations 2016	Brand Equity - Sports	500,000.00	250,000.00	250,000.00
11	East African Motor Sports Club	Refurbishing 16 Spectator Stands & Constructing 14 new ones	Brand Equity - Sports	1,397,000.00	698,500.00	698,500.00
12	The Association of Kenya Insurers	Annual Medical Camp - Karagita - Naivasha	Health	85,000.00	42,500.00	42,500.00
13	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
Total Support Amount				5,199,791.80	2,599,895.90	2,599,895.90
2017						
1	The Association of Kenya Insurers	Annual Medical Camp - Gatanga - Thika	Health	85,000.00	42,500.00	42,500.00
2	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	500,000.00	300,000.00	200,000.00
Total Support Amount				645,045.00	372,522.50	272,522.50
2018						
1	The Association of Kenya Insurers	Annual Medical Camp - Matuu - Machakos	Health	90,000.00	45,000.00	45,000.00
2	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	500,000.00	200,000.00
Total Support Amount				790,000.00	545,000.00	245,000.00
TOTAL CORPORATE SOCIAL RESPONSIBILITY SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2017				**17,960,389.80**	**6,755,194.90**	**11,205,194.90**

ICEA LION GROUP CORPORATE SOCIAL INVESTMENT SUPPORT - OCTOBER 2016 - DECEMBER 2018

No.	Project	Description	Category	Amount	Life Cost	General Cost
2016 - 2017						
1	Ewaso Lions - Lion Conservation Project	Warrior Watch & Lion Monitoring Equipment	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	862,554.00	431,277.00	431,277.00
2		Production of the Lion Conservation Video		3,838,634.00	1,919,317.00	1,919,317.00
3		Promoting the Lion Conservation Video & Initiative on Social Media (Facebook, Instagram & YouTube)		600,000.00	300,000.00	300,000.00
4	Kenya Wildlife Service (KWS) National Lion Census	KWS Methodology & Standardization Workshop Sponsorship	Corporate Social Investment Initiative - Lion Census	462,000.00	231,000.00	231,000.00
5		National Lion Census - Phase I - Lake Nakuru National Park		821,167.00	410,583.50	410,583.50
Total Support Amount				6,584,355.00	3,292,177.50	3,292,177.50
No.	**Project**	**Description**	**Category**	**Amount**	**Life Cost**	**General Cost**
2018						
1	Lewa Conservancy	ICEA LION Staff Immersion & Sensitization Videography & Photography	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	194,880.00	97,440.00	97,440.00
2		Conservation Education Programme - 15 Schools, 690 Students, 60 Teachers from Northern Kenya for 2 Days		3,515,000.00	3,987,000.00	3,987,000.00
3		Lion Predator Monitoring Programme		472,000.00	236,000.00	236,000.00
4	Kenya Wildlife Service (KWS) National Lion Census	National Lion Census - Census Equipment for 5 Regions	Corporate Social Investment Initiative - Lion Census	1,701,925.00	850,962.50	850,962.50
Total Support Amount				5,883,805.00	5,171,402.50	5,171,402.50
TOTAL CORPORATE SOCIAL INVESTMENT SUPPORT AMOUNT FROM OCTOBER 2016 - DECEMBER 2018				**12,468,160.00**	**8,463,580.00**	**8,463,580.00**
TOTAL CORPORATE SOCIAL RESPONSIBILITY & INVESTMENT SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2018				**30,428,549.80**	**15,218,774.90**	**19,668,774.90**

These costs exclude the launch event activities & related logistical costs

AWARDS & ACCOLADES 2012 - 2018 & GCR RATING

THINK BUSINESS AWARDS

WINNER

Life Assurer of the Year - 2018, 2017, 2016, 2015, 2014, 2013
Lifetime Achievement Award: CEO: Justus Mutiga - 2016
Best Insurer in Product Distribution & Marketing - 2017
Corporate Risk Manager of the Year: Dorothy Maseke - 2018, 2017
ICT - 2016
Training - 2016
Customer Satisfaction - 2016
Customer Service - 2018, 2016, 2014
Claims Settlement - 2015
Risk Management Award - 2015, 2014
Best Insurer in Sustainable CSR - 2018

1ST RUNNERS UP

Best Insurer in Sustainable CSR - 2017
Customer Service - 2017
Claims Settlement - 2018, 2017, 2016
Risk Management Award - 2016
Marketing Initiative of the Year - 2012
Best Company in Technology & Digital Applications - 2018
Most Innovative Insurance Company - 2018
Best Insurance Company in Product Distribution & Marketing -2018

2ND RUNNERS UP

Training - 2018

ICPSK CHAMPIONS OF GOVERNANCE AWARDS

WINNER

CEO of the Year: Justus Mutiga: 2017
Insurance Sector: 2015
Company Secretary of the Year: Kennedy Ontiti - 2016, 2015

1ST RUNNERS UP

CEO of the Year: Justus Mutiga - 2015
Insurance Sector: 2017
Company Secretary of the Year: Kennedy Ontiti - 2018

2ND RUNNERS UP

Insurance Sector: 2016
Company Secretary of the Year: Kennedy Ontiti - 2017

KENYA INSTITUTE OF MANAGEMENT (KIM) COMPANY OF THE YEAR AWARDS (COYA)

WINNER

Customer Orientation & Marketing - 2017

DELOITTE'S BEST COMPANY TO WORK FOR AWARDS

WINNER

Insurance Sector - 2014, 2015

1ST RUNNERS UP

Overall: Mid-Size Companies (under 500 employees) - 2016

INSTITUTE OF CUSTOMER SERVICE – ICS KENYA AWARDS

WINNER

Insurance Sector - 2014

COMPUTER SOCIETY OF KENYA AWARDS

WINNER

Best Mobile Application in Insurance: M-Insure - 2014

THE 2018 ASSOCIATION OF PRACTITIONERS IN ADVERTISING (APA) LOERIES AWARDS

WINNER

Overall: Grand Prix Award - #BackYourFuture Campaign
Gold Award: Integrated Campaign - #BackYourFuture Campaign

AWARDS & ACCOLADES 2012 - 2018 & GCR RATING

INSURANCE INSTITUTE OF KENYA (IIK) ANNUAL QUIZ

WINNER 2017

ASSOCIATION OF KENYA INSURERS (AKI) AGENTS OF THE YEAR AWARDS (AAYA)

WINNER

Lifetime Achievement Award: Anthony Gideon Kioko - 2017
Best Loss Ratio - 2015

1ST RUNNERS UP

Overall Agent of the Year: Anthony Gideon Kioko - 2017, 2016, 2015, 2014
AAYA Company of the Year - 2018, 2016, 2014
Group Life Best Practice Award - 2012

2ND RUNNERS UP

Company of the Year – 2017, 2015
Most Improved Company - 2018, 2012

	TOP 50 QUALIFIERS	OVERALL QUALIFIERS	TOP 10 PERSISTENCY AWARD	TOP 10 NO. OF POLICIES ISSUES
2018	7	68	3	NIL
2017	9	44	3	1
2016	5	25		N/A
2015	5	29	1	N/A
2014	6	32	1	N/A
2013	3	41	2	N/A
2012	4	51	2	N/A

GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

ICEA LION Life Assurance Company Limited

Kenya Assurance Analysis September 2018

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Financial strength	National	AA-(KE)	Stable	September 2019

ASSOCIATION OF KENYA INSURERS (AKI) SPORTS DAY

WINNER

Indoor Sports - 2018

1ST RUNNERS UP

Overall Champions - 2016
Field, Auxiliary, Indoor, Volleyball and Athletics Games Champions - 2016

REPORTING GUIDANCE INDEX

BASED ON INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC) FRAMEWORK

TOPIC	CONTENT ELEMENT NO.	PAGE NO.
Organisations overview and external environment	4A	7 - 59
Governance	4B	61 -79
Business model	4C	58
Risks and opportunities	4D	81 - 89
Strategy and resource allocation	4E	17 - 20, 59
Performance	4F	94 - 212
Outlook	4G	18 - 20
Basis of preparation and presentation	4H	2 - 3
General reporting guidance • Disclosure of material matters. • Disclosures about the capitals. • Time frames for short, medium and long term. • Aggregation and disaggregation.	4I	2 - 3, 81 - 89, 90- 123.

ICEA LION'S Integrated Lab

Below is our team that spearheaded and delivered our inaugural and subsequent Integrated Reports in 2017 and 2018 that were developed and designed in-house.

Nkatha Gitonga-Kinuthia
Group Manager
Marketing & Communications

ICEA LION Group

Dorothy Maseke
Group Manager
Risk & Compliance

ICEA LION Group

Zipporah Chege
Chief Finance Officer

ICEA LION General Insurance

Ronald Nyamosi
Chief Finance Officer

ICEA LION Life Assurance

"WE'RE DELIGHTED TO BE AT THE FOREFRONT OF THE RELENTLESS PURSUIT OF SUSTAINABILITY AND SHARED VALUE."

Special thanks to our in-house designer, **Mwangi Kariuki.** His design inspiration was drawn from the launch year of the five year strategic plan (2018-2022)

ICEA LION
LIFE ASSURANCE

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