



OUR INTEGRATED REPORT 2017



FOREWORD

ICEA LION's inaugural 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 indeed to our corporate mission to sustainably protect and create wealth for our stakeholders while considering the triple bottom line (TBL) of people, planet and profit.

This report builds on our 2016 annual report and financial statements, as well as our pioneering 2016 sustainability report; which was the first ever published by an insurance company in East and Central Africa. With this report we hope to further demonstrate how we are committed to delivering an insightful and illustrative integrated 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 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

In the past, ICEA LION reports were prepared from the limited perspective of financial reporting with a brief highlight on governance issues. In 2016, 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).

Proud as we were of this achievement, in 2017 we embarked on an even more enlightened path. Inspired by the International Integrated Reporting Council Framework, we have embraced the innovative concept of Integrated Thinking and Reporting.

Team members responsible for the development of Company reports came together and formed ICEA LION's Integrated Reporting Lab, with the objective of developing the Company's first Integrated Report that describes our value creation process from various perspectives. Indeed, going forward, ICEA LION plans to invest in a Value Manager to lead and manage the value creation agenda for the first and only Growth and Innovation Centre (GIC) for an insurance company in East Africa.

2016 ANNUAL REPORT &
FINANCIAL STATEMENTS



Pursuing Principles of Sustainable Insurance



Our Integrated Reporting Journey

This inaugural integrated 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 General Insurance's financial statements contained in this report were audited by PricewaterhouseCoopers (PwC).

Reporting Period and Responsibility of the Integrated Report

The Integrated Report has been prepared for the period 1 January 2017 to 31 December 2017 and covers the activities of ICEA LION General Insurance 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 Principles of Sustainable Insurance. Going forward, we intend to sign onto the United Nations Global Compact and its 'Ten Principles'. These voluntary principles will be the cornerstones of our corporate social investment activities.

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Who We Are



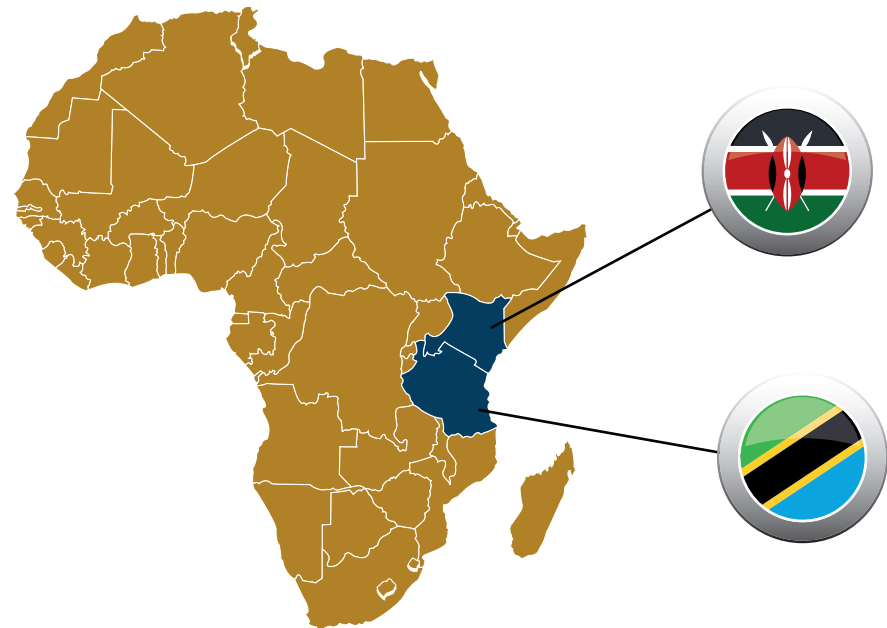
About *ICEA LION* Group

ICEA LION General Insurance is the short-term insurance arm of ICEA LION Group and currently operates in Kenya and Tanzania.

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 **Lion of Kenya Insurance Company Limited (LOK)** and **Insurance Company of East Africa Limited (ICEA)** 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 (FCS), a private investment holding company with interests in financial services, logistics, real estate, manufacturing and agriculture.

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

Our Staff Complement Across East Africa





OUR MISSION

To Protect & Create Wealth



OUR VISION

To be the leading Pan African provider
of insurance and financial services



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

1895



The roots of Lion of Kenya (now ICEA LION General Insurance) can be traced to the very beginnings of the insurance industry in Kenya.

In 1895 Smith Mackenzie & Company were appointed local Lloyd's agents in Mombasa. The agency eventually evolved into a Royal Exchange Insurance Company branch. In later years, this merged with Guardian Assurance, Atlas Assurance, Caledonian Insurance, Employers Liability Assurance and Commercial Union, among others, to form the Guardian Royal Exchange and Commercial Union groups in East Africa.

1978



With the introduction of the Incorporation Act in 1978, these groups, which had been run jointly, were converted into a local company, Lion of Kenya Insurance Company Limited, which would soon emerge as a well-respected brand within general insurance circles in the Kenyan market.

In the 1950s, we operated as Joint Marine Office where ICEA LION's predecessors Guardian Royal Exchange and commercial groups in East Africa comprised the majority.



1950's



2012

Lion of Kenya was later renamed ICEA LION General Insurance in 2012 following a business reorganisation with its sister company Insurance Company of East Africa (ICEA).

To enhance growth through wider regional representation, in 1998, when the Tanzania market was opened for private investors, the company invested in a subsidiary - Lion of Tanzania, now ICEA LION General Insurance Company Limited. This was a joint venture with Tanzania Development Finance Company and has grown to transact all classes of general insurance business.

Our Regional Footprint



KENYA

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Thika Branch
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Meru Branch
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TANZANIA

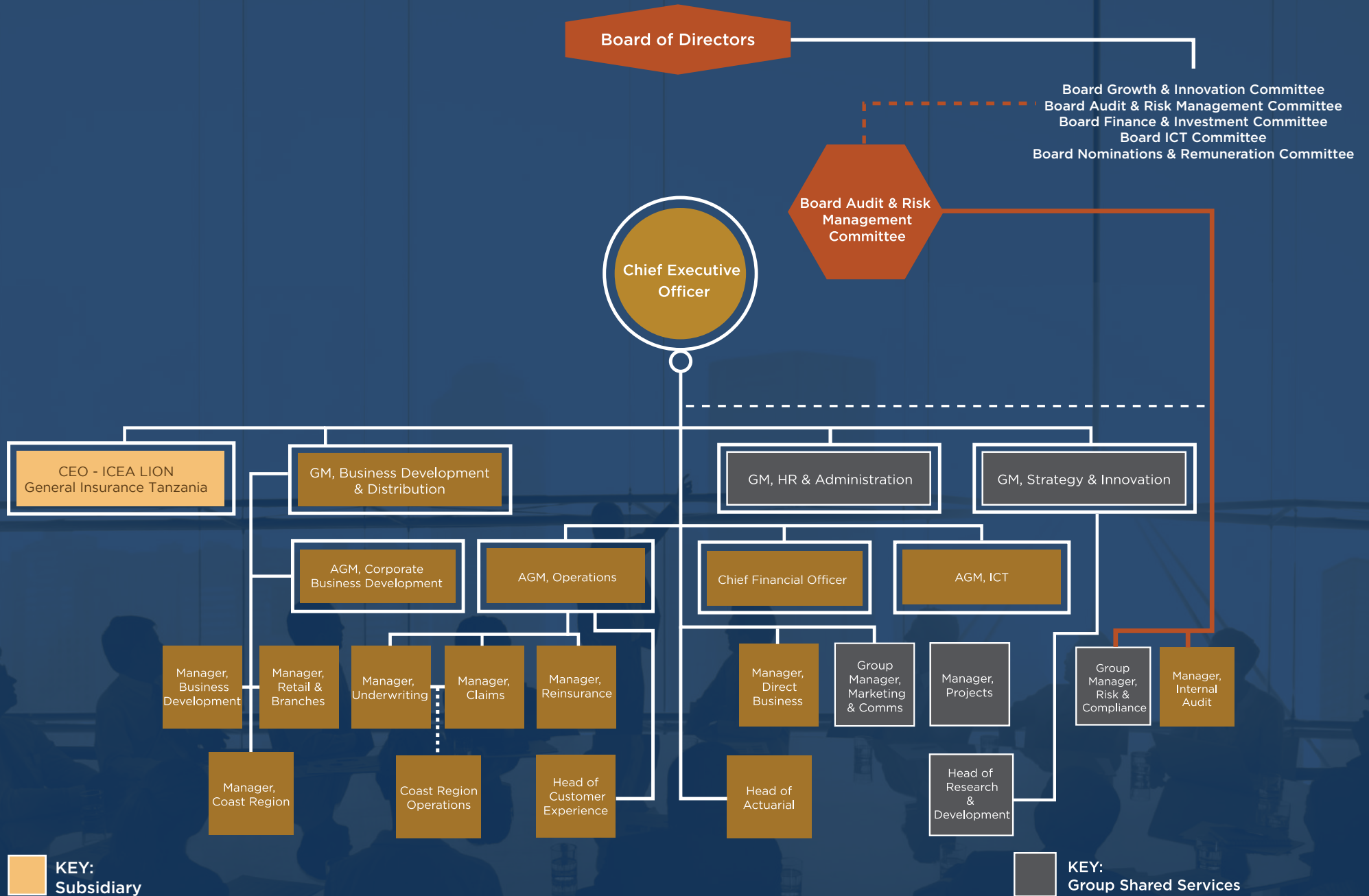
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Leadership Structure



KEY: Subsidiary

KEY: Group Shared Services

Our 2017 Awards & Accolades



THE 2017 KENYA INSTITUTE OF MANAGEMENT (KIM) COMPANY OF THE YEAR (COYA) AWARDS

Winner - CEO of the Year - Steven Oluoch - ICEA LION General Insurance
Winner - Customer Orientation & Marketing - ICEA LION Group
Winner - Financial Management Determinant - ICEA LION General Insurance



THE 2017 THINK BUSINESS INSURANCE AWARDS

Winner - General Insurer of the Year - 2014 & 2017
Winner - Customer Service
Winner - Best Insurance in Product Marketing
Winner - Corporate Risk Manager of the Year - Dorothy Maseke
1st Runners Up - Risk Management Award
1st Runners Up - Best Company in Sustainable CSR
2nd Runners Up - Fraud Detection & Prevention Initiative



THE 2017 INSTITUTE OF CERTIFIED PUBLIC SECRETARIES OF KENYA (ICPSK) CHAMPIONS OF GOVERNANCE (COG) AWARDS

Winner - Insurance Sector
2nd Runners Up - Company Secretary of the Year - Kennedy Ontiti



Chairman's Statement

It is my pleasure, on behalf of the Board of Directors, to present ICEA LION General Insurance Company's first-ever Integrated Report. This report gives a comprehensive overview of how the Group creates value in relation to all the resources and relationships collectively referred to as the **6 Capitals Model**. It highlights the connections between the environment in which we carry out our business, our strategy and our corporate governance structure. We are indeed delighted to be at the forefront of best practice and good governance in this regard; a true testament to the trailblazing spirit that resides here at ICEA LION.



SUSTAINABILITY

Sustainability continues to be an integral part of running our business and profitable performance remained key. In 2016, ICEA LION became signatories to the United Nations Environmental Program Finance Initiative (UNEP FI) Principles of Sustainable Insurance (PSI). We are delighted to be one of only 5 insurers in Africa - and the very first in East Africa - to sign on to these principles. This is a testament to our

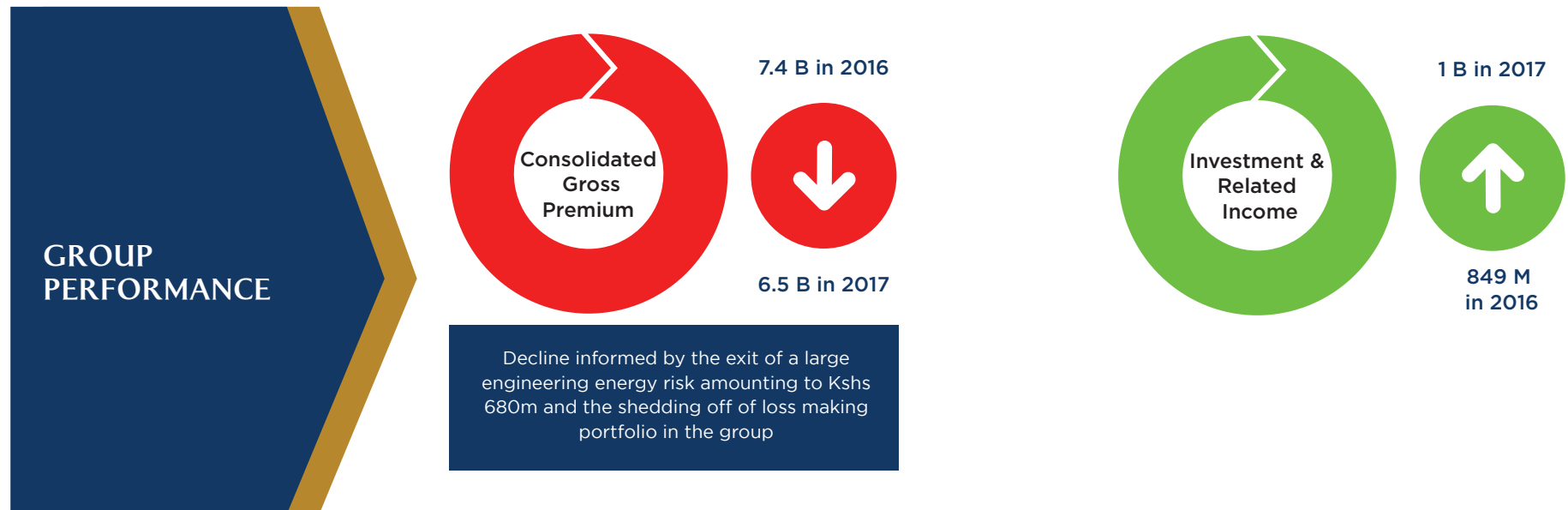
trailblazing spirit and indeed to our deep-rooted commitment to sustainability. That said, in as much as we have placed due consideration on people and indeed on the planet in the past, we have a renewed focus on the concept of the “Triple Bottom Line” - People, Planet and Profits - going forward. We continue to view and act on this through the lens of our Corporate Mission “To Protect and Create Wealth” for all our stakeholders. I am pleased to advise that this inaugural integrated report outlines how we have created value for the 6 Capitals, namely Human, Intellectual, Natural, Social and Relationship, Manufactured and Financial Capital.

THE ECONOMY

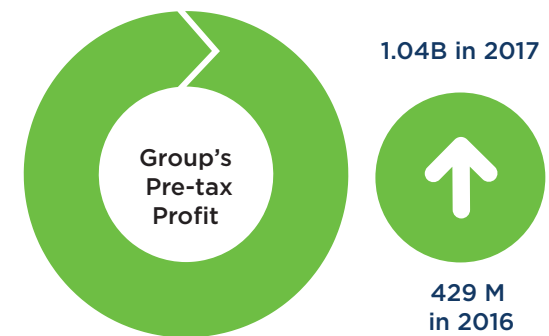
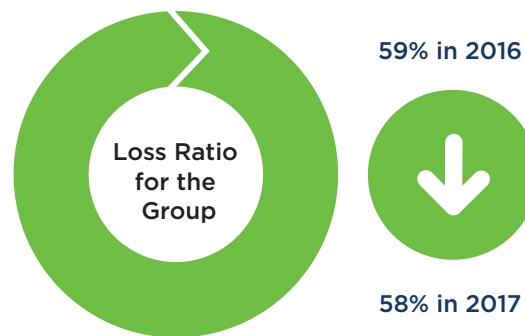
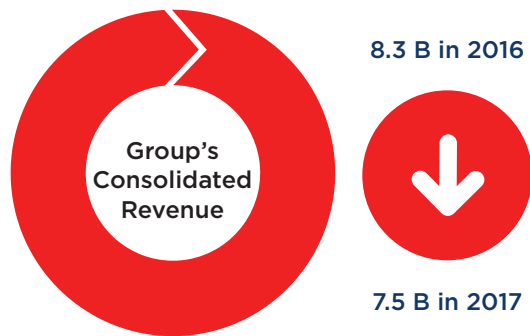
Kenya’s economy grew by 4.7% in 2017 compared to 5.8% in 2016. Interest rates remained fairly stable during the year in line with Central Bank of Kenya (CBK)’s decision to hold its monetary policy rate constant at 10%. The exchange rate movement was fairly stable, while the also stable interest rates, reduced demand for imports, sustained inflows and strong currency reserve holdings by CBK supported the local currency. The implementation of interest rate capping introduced in the Banking (Amendment) Act 2016, further dampened the economic activities. The uncertainty associated with the general elections and the consequent repeat of the presidential election undermined business confidence resulting in a wait-and-see approach by the private sector further encumbering economic growth. Despite this backdrop, the company managed to maintain a profitable trend returning the highest return on equity over the past 5 years at 29% - closing off our 2013 – 2017 strategic planning period commendably.

PERFORMANCE

Here are the key performance highlights for Kenya and Tanzania. Based on this performance, and in line with the Company’s dividend policy, the Board of Directors are pleased to recommend a dividend of Kshs. 4 per share amounting to Kshs. 200 million in respect of the year ended 31st December 2017, same as 2016.

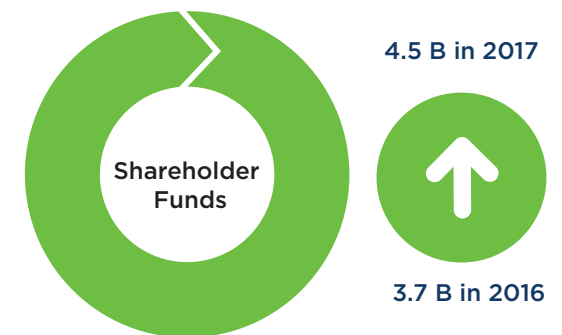
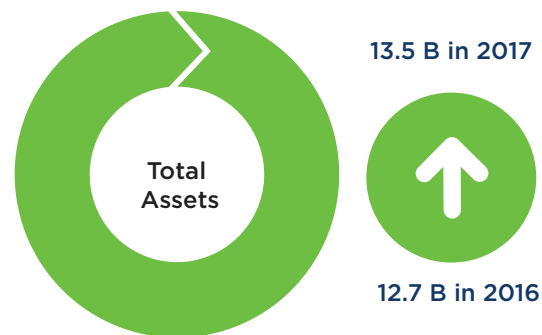


Group Performance (Continued)

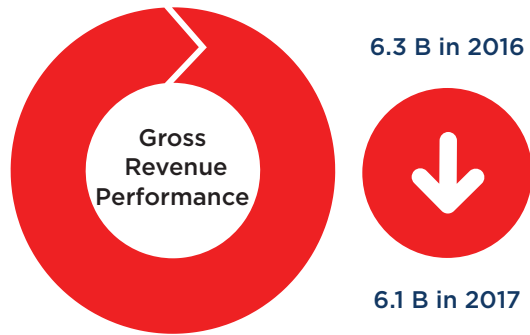


The drop is attributed to continued efforts to improve claims experience.

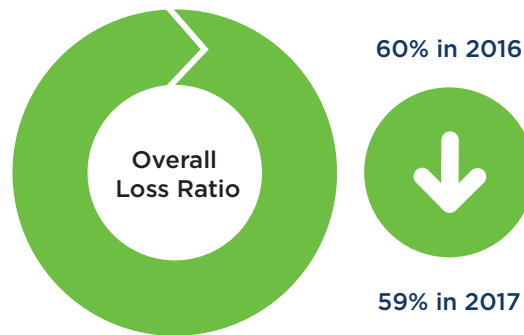
Growth attributed to continued prudent underwriting, effective claims management and investment income management strategies employed throughout the year despite the difficult macroeconomic environment.



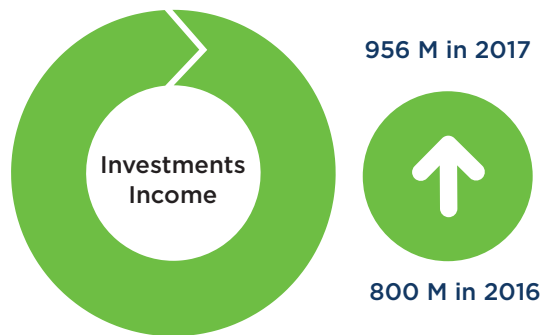
Company Performance



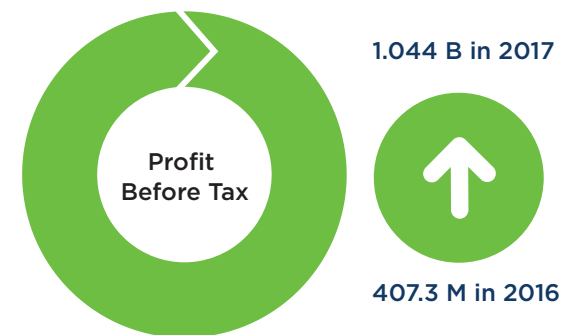
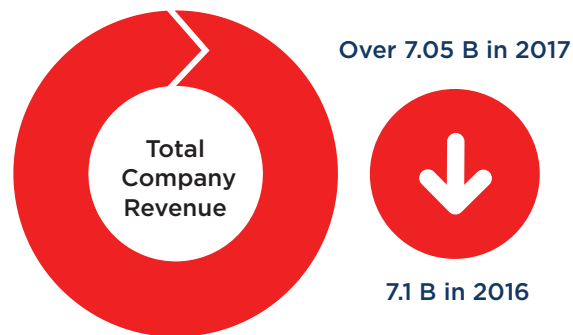
The decline in gross premium written was as a result of shedding off of loss making portfolio.

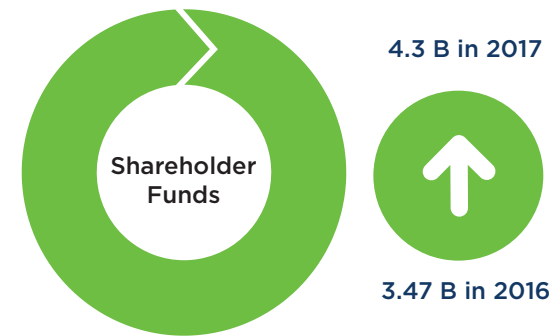
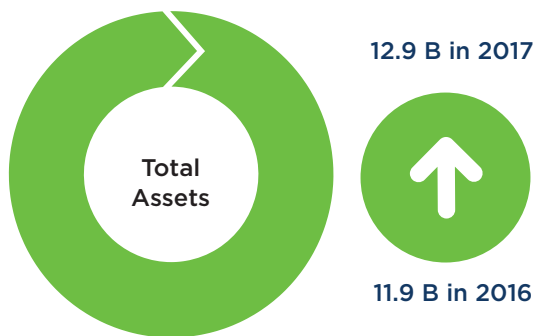
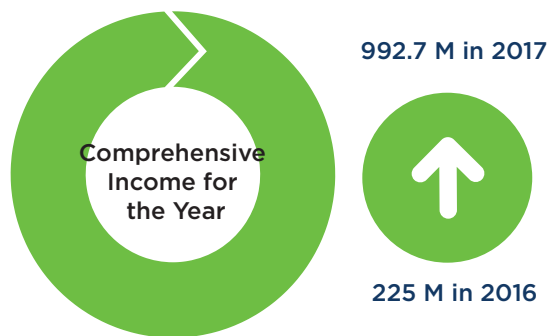


Total claims incurred decreased by 4.8% (Kshs 110M) due to improved underwriting performance in the Engineering, Fire Domestic, Liability, Marine, Workmen's Compensation and miscellaneous classes of business.



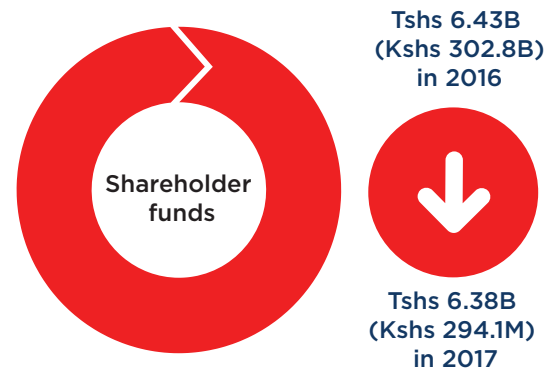
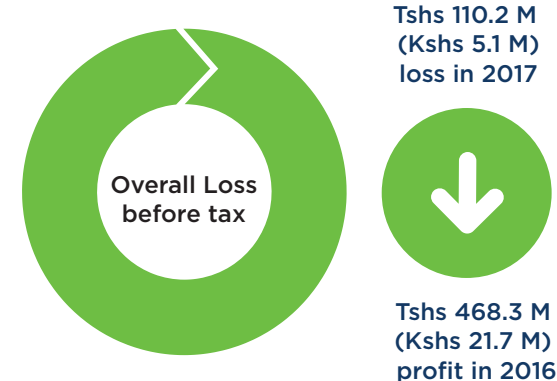
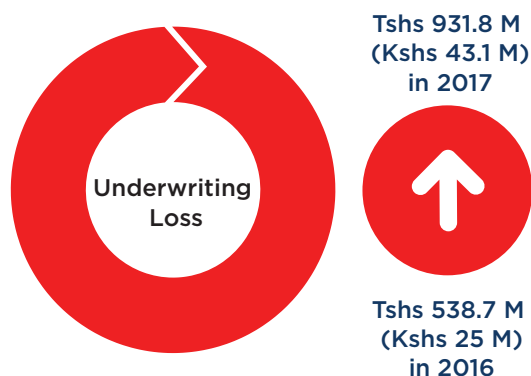
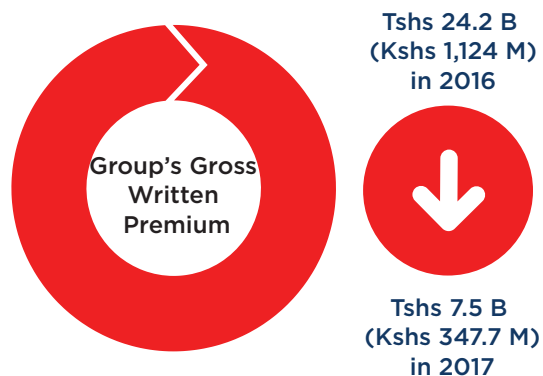
Earned as a result of growth in the investment portfolio and better yields from the Government securities.





Attributed to improved underwriting profit and investment income and decrease in expenses.

Subsidiary Performance (Tanzania)



Marginal decline by 0.8% mainly due to the decline in profitability during the year.

ICEA LION has positioned itself well to ensure business growth and sustained profitability going forward despite the challenges posed by stiff competition and the increasingly dynamic business environment. Indeed, the recorded market share of 4.89% - a slight drop from 5% in 2016 - is an commendable performance. Our team is determined to remain at the forefront of profitable performance and operational excellence.

STRATEGY AND FORMATION OF THE GROWTH AND INNOVATION CENTRE

The year 2017 marked the end of the 2013-2017 Group's Strategic Plan and also encompassed the formulation of the 2018-2022 Strategic Plan. The new strategic plan focuses on a culture of excellence, customer focus, innovation, agility and integrity as well as working as a group. To support the innovation journey, the Group is setting up a Growth Innovation Centre. The Centre will draw on expertise from a wide variety of disciplines and sectors to establish a strong creative pool of talent dedicated to meet the needs and aspirations of tomorrow's customers.

AWARDS AND ACCOLADES

ICEA LION continued to demonstrate its determination to continually deliver innovative products and superior services to our customers through benchmarking activities. This focus on business excellence and market leadership saw ICEA LION win the 12 awards highlighted on page 14.

We are proud of our CEO Steven Oluoch who clinched the CEO of the Year Award at the Kenya Institute of Management's Company of The Year (COYA) Awards. The Company was adjudged as the General (Non-Life) Insurer of the Year at the 2017 Think Business Insurance Awards, and also achieved the Winner Award for the insurance sector at the Institute of Certified Public Secretaries (ICPSK) Champions of Governance Award.

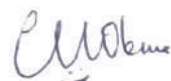
These are welcome validations of our commitment and adherence to professionalism, good governance and best practice, and with our firm resolve not to rest on our laurels, it is our conviction that the future is indeed bright for ICEA LION General Insurance.

FUTURE OUTLOOK

The Board of Directors and the Leadership Team will continue to pursue strategies and policies that will help ensure that we maintain our local and regional pre-eminence in the industry in 2018 and beyond.

APPRECIATION

I conclude by thanking all our customers and intermediaries for their enduring trust, support and loyalty to ICEA LION General Insurance. This inspires and propels us to achieve even greater heights in the days ahead. We are equally grateful to our various business associates and service providers for the invaluable support and partnership they continue to provide. Finally, I wish to thank the leadership and team members in all our business units for their vital contribution during the year. I also extend my gratitude to my fellow directors for the role they continue to play on the main Board as well as on the various committees in guiding the affairs of ICEA LION Group.



Dr. Chris W Obura - Chairman



Chief Executive Officer's Statement

THE ECONOMY AND PERFORMANCE

Doubling down on the fundamentals of prudent underwriting and resilience was the name of the game for ICEA LION General Insurance in 2017. Our operating environment was constrained by the slowdown in the economy despite a stable exchange rate and a recovering stock exchange. Furthermore, there was an increasingly strong regulatory regime, specifically the implementation of the Risk Based Capital (RBC) model that came into force in June 2017.

Other constraints included overcapacity, rate undercutting, premium collection challenges and receivables impairment, weaknesses in new product development and innovation as well as the reality of fraud as a major component in claims. Emerging challenges revolved around the optimisation of ICT, competition in the digital space, as well as the changes in demographics that has skewed how consumers view and utilise insurance.

ICEA LION's overall performance was commendable, underpinned by underwriting profitability and good investment income; the Company and the Group reported a Profit Before Tax of over Kshs. 1 billion. Our balance sheet remains strong with good quality assets, which positions us well in our quest to offer excellent security to our policyholders. ICEA LION Tanzania however recorded a decline in Gross Written Premium and consequently its contribution to group underwriting and overall profitability was subdued.

The insurance industry enjoyed reasonable growth largely driven by the continued robust growth of the life business even as the non-life business registered minimal growth. However, as the economic growth slowed down, the penetration rate decreased. Our Kenyan operation had a marginal topline drop following the implementation of risk management initiatives that placed greater focus on profitable accounts. That said, we continued to deliver commendable underwriting profit and investment income.

Our Tanzanian subsidiary faced stiff competition and operating difficulties similar to those in Kenya with the exception of a fundamental positive change: the introduction by Tanzania Insurance Regulatory Authority (TIRA) of upfront premium payment by policyholders directly to the underwriter as opposed to intermediaries. This piece of legislation has eased pressure on premium collection although insurance companies continue to collect premium based VAT on behalf of the Tanzania Revenue Authority (TRA). While operating in a fairly stable economy, the Company experienced significant topline pressure largely as a result of unethical underwriting practices by the competition.

2018 TO 2022 STRATEGIC PLAN

The year concluded our five year planning period, 2013 to 2017, and saw a close to a predictably difficult year owing to the election-related apprehension in our operating environment. In the new planning period, 2018 to 2022, the business will enjoy increasing leverage on an empowered and engaged talent pool; greater Group synergy; and digitally led focus. This progress will allow us to derive insights enabling us to innovate at both product and service levels and thereby differentiate ourselves to thrive better in this increasingly dynamic environment.

Indeed, ICEA LION is pleased to be the first insurance Group in East Africa to launch a dedicated Growth and Innovation Centre. It is our belief that this ground breaking move will enliven and transform ICEA LION's strategic initiatives in the years ahead. We continue to journey towards attaining maximum risk intelligence by continually developing our strong and dynamic risk management framework. The inculcation of a culture of risk management across the organisation continues to be a key strategic focus for the business and the Group. As a result, we believe that we are well positioned to respond to changes not only in our business model but also the regulatory environment so we are always well equipped to make well thought out decisions when faced with uncertainty.

Focus on Direct Engagement

Over 70% of our business is obtained from intermediaries. Consequently, the company has faced challenges due to power of the traditional distribution channels and other players in the value chain.

The company has set up strategies to enable it to disintermediate and thereby create true customer relationships, reducing acquisition costs.

Innovation

The business operates in an environment characterised by changing customer behavior, stiff competition, exponential technological innovation and regulatory pressures. Organisations that are unable to evolve will struggle due to disruption and competition; consequently, we have embarked on an ambitious innovation journey with an aim to differentiate ourselves with regard to customer experience, selling and serving with digital and emerging technology, and leading in operational efficiency. The formation of the Growth and Innovation Centre is expected to achieve this goal.

Empowering People

One of our core values is “our People are important to us”. Our ability to attract, upskill and retain expert diverse talent will continue to 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 qualitative and wholesome developmental experience for our people and all our stakeholders. To this end, the Company has continued to create and maintain an environment that attracts and retains the best staff; we 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 overall development.

FUTURE OUTLOOK

Sub-Saharan Africa is expected to register economic growth of 3.4% in 2018 due to expected improved growth in commodity driven countries such as Nigeria and Angola. Kenya's GDP growth is expected to be 5.8% driven by recovery of the agricultural sector, financial and insurance sectors, public infrastructural investments and the manufacturing sector. Private sector credit growth remained low throughout 2017 averaging 2.4% in 2017, compared to a five year average of 14.0% as commercial lending to the government increased.

In 2017, Kenya's equities market registered strong performance and it is expected that in 2018, long-term investors will remain bullish as they take advantage of attractive stocks. It is anticipated that the Kenya shillings' rate against the US Dollar will range between Kshs. 102 and Kshs. 107 in 2018 and that the Central Bank of Kenya will continue to support the shilling through its sufficient reserves. It is expected that Foreign Direct Investment will continue to increase, fostered by positive investor sentiment and a favourable business environment.

The Government debt to GDP has been on the rise currently standing at 56% compared to 50% recommended by the International Monetary Fund. This has attracted criticism to the Kenyan economy from major stakeholders. In addition, the Government's spend has continued to be higher than budgeted with the largest portion of the spend being on operational expenditure. The Government is set to issue a new USD 1.5 billion bond in March 2018, which is at a much higher cost due to the alarming debt levels. The Government is also under pressure to borrow as it is well behind the domestic borrowing target.

There are speculations about the lifting of the interest rate capping. In the event the interest rate cap continues, it is expected the banks will continue investing in government securities and crowding out the private sector. This is especially the case on the back of implementation of International Financial Reporting Standard No. 9, Financial Instruments, (IFRS 9) which is expected to result in a higher level of impairment provisions in the 2018 accounting periods with major impact expected for entities in the financial services sector. The insurance sector continues to be faced by a myriad regulatory challenges including compliance with Risk Based Capital requirements and the aforementioned IFRS 9 requirements.

The President's transformational four pillars of development, in universal healthcare, affordable housing, manufacturing and food security for all, are poised to establish opportunities for value creation for insurance uptake and we believe that we are well positioned to take advantage of these opportunities to realise our goals.

As a Company, we shall continue to leverage on our strengths to innovate, entrench the culture of stronger customer centricity, embrace more effective risk management frameworks and underscore good corporate governance.

We will continue to be increasingly socially responsible, invest in our people skills and welfare, deliver value to stakeholders, and re-align our strategies on key strategic initiatives to support our objective of enhancing our leadership role in the development of the insurance industry.

We are aware of the challenges that face us: such as competition, regulatory demands, risk, uncertainty, and players who play by unorthodox means, but we shall remain resilient, supported by a strong balance sheet, a strong and skilled management team, and a well-balanced and hugely resourceful Board to which to turn to, so as to tap on their wisdom and knowledge as and when needed.

APPRECIATION

I would like to take this opportunity to thank all our stakeholders, the rest of my leadership team, and the ICEA LION Group family for the effort and support put into delivering a most commendable performance in 2017.



Steven Oluoch - Chief Executive Officer

Our Board of *Directors*

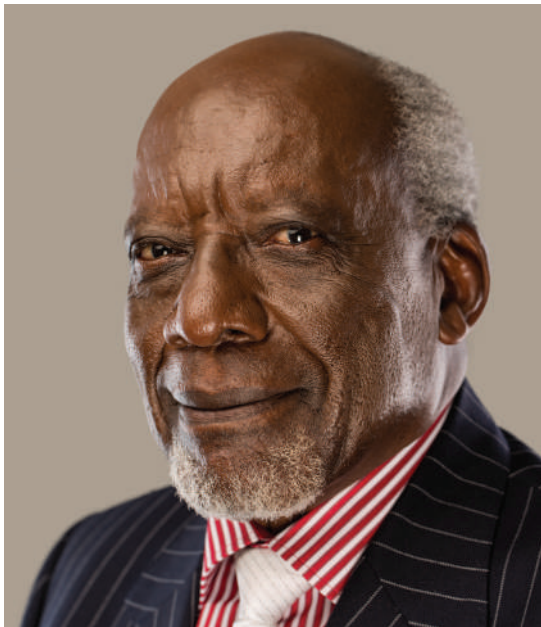


Seated at the front row - left to right: Dr. Chris Obura - Chairman | Steven Oluoch - CEO | Robin Ndegwa - Alternate Director

Seated at the back row - left to right: Patrick Mugambi - Alternate Director | Joseph Muiruri - Director

Standing at the back row - left to right: John Kimeu - Director | Andrew Ndegwa - Director | David Hutchison - Director
James Ndegwa - Director | Kennedy Ontiti - Company Secretary

Our Board of Directors *Profiles*



DR. CHRISTOPHER OBURA - B.D.S. | L.D.S.R.C.S. | F.I.O.M.S.

BOARD CHAIRMAN

Dr. Obura is the Chairman of ICEA LION General Insurance as well as the Chairman and Director of Several Companies in Kenya, Uganda and Tanzania.

Dr. Obura commenced his studies in 1952 at Alliance High School and proceeded to Makerere University College in Uganda, graduating in 1958. In 1959, he joined the University of London's Guys Medical and Dental School obtaining a B.D.S. (LON) and a L.D.S.R.C.S. (ENG) in 1963.

Between 1964 and 1966, Dr. Obura pursued a Post Graduate on Commonwealth Scholarship at the Eastman Post Graduate Dental Hospital London; Plastic and Jaw Injuries Unit, Stoke Mandeville Hospital and the Middlesex Hospital; Faculty of Dental Surgery – Royal College of Surgeons, Primary Fellowship in Dental Surgery. He returned home to Kenya to become the Chief Dental Officer, Ministry of Health between 1965 and 1971. In June of 1967 he obtained a French Government Study Grant at the Institute of Stomatology, La Patie Hospital – Paris.

Between 1968 and 1971, he was Honorary Senior Lecturer at the University of Nairobi Medical School and the Consultant Dental and Oral Surgeon at the Kenyatta National Hospital. He was also the Consultant at the Aga Khan Platinum Jubilee Hospital Nairobi and a Consultant for the Forces Memorial Hospital in Nairobi. Dr. Obura was the President of the East African Dental Association between 1970 and 1974. He operated a private dental practice in Nairobi between 1968 and 1995.

In 1973, Dr. Obura was awarded Membership of the American Association of Oral and Maxillo – Facial Surgeons and African American Institute of International Education Scholarship in the U.S. Between 1974 and 1985, he was the Chairman of Kenya National Committee of United World Colleges and a member of the International Council. Between 1975 and 1981, he was a Member of the Medical Practitioners and Dentists Board and Deputy Chairman. He was an External Examiner for the University of Nairobi between 1977 and 1979.

In 1982, Dr. Obura became a Fellow – International Association of Oral and Maxillo-Facial Surgeons. In 1990 he became a Member of the Council for the International Association of Oral and Maxillo- Facial Surgeons. In June 1993, he became a Member of Eisenhower Citizen Ambassador Program to Soviet Union on cleft lip and palate. Dr. Obura has been the Chairman of numerous organizations including the Kenya Dental Association between 1977 and 1981, Karen Country Club between 1977 -1978 and also between 1982 and 1987. Further, he was the Chairman of the Association of Professional Societies of East Africa between 1980 and 1982 and Chairman of the Professional Centre between 1983 and 1990. Dr. Obura was a Director of Kenya Airways between 1978 and 1980 as well as between 1997 and 2005. He was also the Chairman of The Nairobi Hospital and Kenya Hospital Association from 2002 to 2012. An avid Golfer, Dr. Obura was the Captain of the Kenya National Golf Team between 1977 and 1984 and the Chairman of the Kenya Golf Union between 1982 and 1983.



JAMES NDEGWA

James is 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 MA (Hons) degree from Oxford University, UK.

James 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 the ICEA LION Group, NIC Bank Group and Mitchell Cotts Kenya Group. In 2015 he was appointed Chairman of the Board of the Capital Markets Authority.



ANDREW NDEGWA

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.

Andrew 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.

Andrew 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.

DUNCAN NDERITU NDEGWA

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 M.A. (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 Civil Service and Advisor to President and Cabinet in charge of co-ordination 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 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. Mr. Ndegwa 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.*"





JOHN KIMEU

John is a Non-Executive Director of ICEA LION General Insurance.

John is a Certified Public Accountant (CPA-K). John commenced his career as a Costs Accounts Assistant at Food Specialities (K) Ltd – Now Nestle Ltd between 1970 and 1974. Between 1974 and 1977 he worked at Firestone East African as a Cost and Factory Accountant.

In 1977 he moved to Guardian Royal Exchange and Commercial Union Groups, which a year later, became Lion of Kenya Insurance Company Ltd upon localization of foreign insurance companies operating in Kenya. Between 1977 and 2003 he rose through the ranks starting out as an Assistant Accountant in 1977, then moving on to the Company Accountant in 1982. In 1984 he was promoted to the Accounts Manager and onto the Finance Manager in 1992.

In 1993, John was appointed Assistant General Manager – Finance and Administration and in 1996 was appointed General Manager. In 2003 he was appointed Managing Director where he served until he retired from the newly merged entity ICEA LION General Insurance in 2013.

John was the Board Director responsible for the establishment, operations and supervision of Lion of Tanzania (Now ICEA LION General Insurance Tanzania). He was also a Member and Chairman of the Finance and Secretariat Affairs Committee of the Association of Kenya Insurers.



DAVID HUTCHISON

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' experiences of General Practice, Taxation and Consultancy – IT and others. He was a Partner at Ernst & Young – East Africa from 1970 until 30th 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.

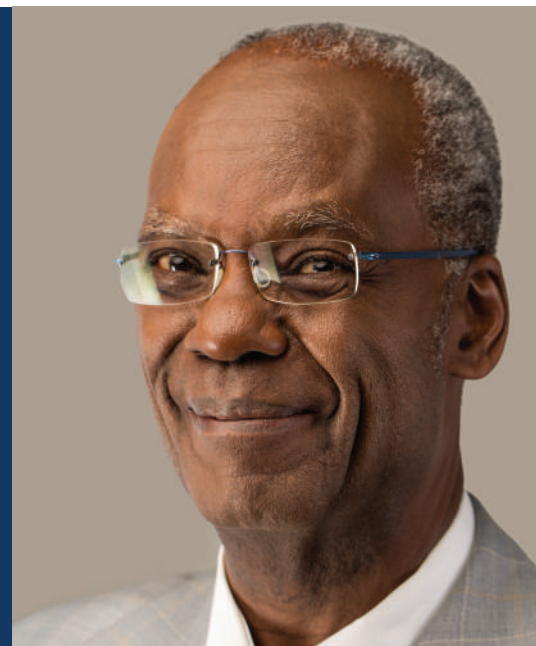
He is the Chairman, Non-Executive Chairman and Non-Executive Director of numerous organizations spanning advertising & communications, manufacturing, education, properties & real estate, banking, insurance and reinsurance sectors.

JOSEPH MUIRURI

Joseph is a Financial Consultant and a Non-Executive Director of several companies. Joseph retired in 2002 after 35 years working with Ernst & Young East Africa, including 25 years as a Partner and as Chairman of the firm from 1996 to 2002. Joseph is a Certified Accountant and a Fellow of Chartered Association of Certified Accountants (UK). He is also a Practitioner of Institute of Certified Public Accountants of Kenya (ICPAK).

Joseph's key areas of experience span strategy and business advisory, transaction management, disposals, share valuations, corporate restructuring, taxation and mergers and acquisitions. His regional experience covers Kenya, Uganda and Tanzania. Such experience includes audit, financial services and tax advice to all sections of the Economy and in particular to the hotel and tourism, banking, manufacturing and agricultural sectors.

He has extensive expertise in the preparation and evaluation of financial plans/projections, profit forecasts and so on with experience of overseeing the implementation of restructuring packages. He has further experience in the valuation of shares and in the preparation of the reports relative to the mode of the disposal of shares. This experience includes a general advisory role in the acquisition and disposal of business interests and shares.



ROBIN MURIUKI NDEGWA

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 - 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 to 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, USA. 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.





PATRICK MUGAMBI

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.



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 (ACI Arb).

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 Public Secretaries (ICPSK) Champions of Governance (COG) Awards in 2015 and 2016. In 2017, he emerged Second Runners 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 ICPSK.



STEVEN OLUOCH - BOARD DIRECTOR & CHIEF EXECUTIVE OFFICER

Steven holds a Bachelor of Commerce Degree from 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 35 years having worked at three reinsurance companies, namely 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 (TAN-RE). 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.

In addition to his core responsibilities as CEO, Principal Officer and Director of ICEA LION General, Steven also serves on the Boards and Committees of 7 other ICEA LION Group and affiliated companies. As a result, and 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/fund management and investment operations, pensions administration and trustee services operations in all the three East African countries.

At continental level, in May 2016, Steven was appointed a Member of the Executive Committee of the African Insurance Organisation (AIO) for a period of 3 years (2016 to 2018), appointed by Kenya to represent the entire Eastern Africa region. Steven is also a member of the Editorial Board of the African Insurance Organisation (AIO) Journal. At regional level, Steven is a member of the Board of the Organisation of Eastern & Southern Insurers (OESAI) which draws its wide membership from the COMESA and SADCC regional economic blocs, and which has a permanent secretariat in Nairobi, Kenya. At local industry level, Steven is an active member of the Association of Kenya Insurers (AKI) and a member of the AKI Board. He is presently the Convener and Chair of the Statutory & Legal Committee. Up until 31st December 2015, Steven sat as an active member of two key AKI Committees - the Secretariat Affairs & Investment and the Statutory & Legal Committees for 3 years.

Steven has a collaborative leadership style and this has resulted in ICEA LION General Insurance winning several awards during his tenure, including General Insurer of the Year (2014 & 2017) and winning the Deloitte's Best Company to Work For awards for the insurance sector (2014 - 2016). In 2017, he also led the ICEA LION General Insurance team to winning the Institute of Certified Public Secretaries of Kenya - Champions of Governance Award for the Insurance Sector. On a personal note, he was crowned CEO of the Year by the Kenya Institute of Management at the 2017 Company of the Year Awards.

Our *Leadership* Team





ALVIN ODHIAMBO - General Manager, Business Development & Distribution

Alvin holds a Bachelor of Arts in Economics (Hons) from Agra University India and a certificate in insurance practice from the College of Insurance Kenya. He is also a member of the Chartered Institute of Marketing (UK) as well as the Institute of Directors IOD (Kenya.)

Alvin has general and business management skills with progressive experience in sales, marketing, administration, corporate communications, regional commercial business management and product development over the last 23 years.

He has worked for various multinationals and local financial institutions including British American Insurance (now Britam), Barclays Bank and AoN Kenya Insurance Brokers (now Minet Insurance Brokers).



JANE MUIRU - Assistant General Manager, Operations

Jane holds a Bachelor of Commerce Degree – Insurance Option – from the University of Nairobi and is also an Associate of the Chartered Insurance Institute of London (ACII) – UK. She has over 30 years' experience in the insurance industry.

She joined Insurance Company of East Africa Ltd (ICEA) in 1994, where she rose through the various ranks in managerial positions serving in the underwriting and claims departments. She then served as an Underwriting Manager for 11 years. Following the merger that formed ICEA LION Group, Jane was elevated to Assistant General Manager – Operations, overseeing operations in underwriting, claims and reinsurance departments.

At industry level, Jane has served at the Accident Technical Committee of the Association of Kenya Insurers (AKI), the Property and Engineering Committee and is currently a member of the Motor Pool Winding Up Committee of the same Association. Jane was nominated by AKI as one of its representatives to both a committee and a task force set up by the Insurance Regulatory Authority (IRA). She served for a number of years as a member of the Risk and Evaluation Committee of the IRA and also the IRA task force that was mandated with reviewing and standardizing policy wordings for a number of non-motor classes of business.



ZIPPORAH CHEGE - Assistant General Manager, Finance

Zipporah holds a Master's in Business Administration from the University of Nairobi and a Bachelors of Commerce - Accounting Option degree from the same University. Professionally she is a Certified Public Accountant, Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Zipporah's vast experience in accounting and finance spans over 14 years.

Prior to Joining ICEA LION General Insurance in August 2016, she had worked with Deloitte & Touché for 12 years having risen the ranks from an audit associate to a Senior Audit Manager. Her specialization during her audit career was in the financial services industry where she audited several banks, insurance and reinsurance companies in Kenya and in Africa.

Zipporah is committed to ensuring operational excellence, sound internal controls and integrity as well as continuous improvement in execution of her duties. This contributed to the company winning the Company of the year Award (COYA) in Financial Management in 2017.

At the Accounting profession level, she has contributed in various activities including being a Fire Awards Evaluator with ICPAK.



DAVID TOO - Assistant General Manager, ICT

David holds a Master's in Business Administration from the University of Nairobi as well as a Bachelor of Science in Electrical and Electronics Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is also a Certified Public Accountant (CPA-K) having graduated from Strathmore University and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

David's experience spans the agricultural and financial services sectors where he has separately headed both the finance and information technology functions. David started his career as Technical Assistant to the Finance Executive at James Finlay then joined Sian Roses as the Chief Accountant. He later joined the banking industry in 2005 as the Head of Finance at Transnational Bank then transitioned to head up Information Technology at the same organization. Thereafter, he joined Gulf African Bank as the Head of Information Technology before joining ICEA LION in 2015.

PETER MUKURIA - Assistant General Manager, Commercial Business Development

Peter holds a Bachelor of Commerce Degree from the University of Nairobi and is an Associate of the Chartered Insurance Institute of London as well as a Chartered Insurer.

Peter is a well-rounded insurance professional with 29 years' experience in underwriting, claims and business development. Prior to the ICEA LION Group merger, Peter worked at Lion of Kenya Insurance Company for 21 years rising from a Management Trainee straight from the university to a Departmental Head of the Service and Marine Department. He has led the commercial business development division at ICEA LION General Insurance the past 8 years.

At the Industry level, Peter has been an active Member of the Association of Kenya Insurers (AKI) where he has served in various Technical Committees. He currently chairs the Marine Sub-Committee of AKI.



ALI SALIM - Regional Manager, Coast

Ali has over 35 years experience in the insurance industry having joined Sun Alliance, later renamed Kenyan Alliance in 1979 as an Underwriting Clerk. He joined Lion of Kenya in 1998 at the company's head office as an Assistant Manager in the underwriting department. In 1999, Ali was transferred to Mombasa as the Coast Regional Manager.

Ali has a very broad range of skills covering the whole spectrum of insurance and has played a significant role in the development of the industry. At industry level Ali was a member of the Association of Kenya Insurers (AKI) Accident Technical Sub-Committee and the Chairman of AKI - Mombasa Chapter.





EVELYN MUSUNZAR - Manager, Business Development (Retail & Branches)

Evelyn is the Business Development Manager – Retail & Branches. (Bancassurance)

Evelyn holds a Bachelor of Science degree in Agronomy from Egerton University. She also holds a certificate level UK Chartered Insurance qualification and is a member of the Insurance Institute of Kenya (IIK).

Evelyn's experience in the industry spans 18 years. Prior to joining ICEA LION in 2014, she started off her career in the underwriting section at The Heritage Insurance Company. She later moved on to the Business Development where she implemented the agency sales force agenda. Evelyn is passionate about customer experience and this had her appointed the Customer Service Champion in 2010.



JENNIFER KAMOTHO - Manager, Business Development (Commercial)

Jennifer holds a Cambridge Advanced Diploma in Business Management and is currently pursuing a Bachelor of Commerce Degree – Marketing Option as well as a CII Diploma in Insurance.

Jennifer has over 10 years' experience in the industry. She started off as a travel insurance expert at Heritage Insurance Company and over the years honed her business development expertise. She has a commendable track record of successfully developing and achieving sales growth targets for the travel insurance product both at Heritage Insurance and ICEA LION.

At industry level, Jennifer has hosted the Annual Association of Kenya Insurers (AKI) Awards for 2 years in a row.

LUCY KARANJA - Manager, Underwriting

Lucy holds a Bachelor of Commerce Degree - Insurance Option - from the University of Nairobi and is an Associate of the Chartered Insurance Institute of London.

She has over 25 years experience in both claims and underwriting having garnered 6 years claims management experience with Corporate Insurance Company straight from University. She then transitioned to Lion of Kenya Insurance Company's underwriting department and following the ICEA LION Group merger, was appointed to head up the underwriting department. Lucy has undergone extensive training both locally and internationally.



JOHN NJENGA - Manager, Reinsurance and Risks Survey

John holds a Bachelor of Science degree - majoring in Statistics from the University of Nairobi.

John has over 24 years experience in reinsurance, underwriting and claims having risen from a Management Trainee to a Department Head. He started his insurance career within the Life Division of ICEA Ltd. After 3 years he was transferred to the General Division and undertook reinsurance training by Munich Reinsurance Company in Germany for 1 year. Following the ICEA LION Group merger, John was appointed the Manager in charge of reinsurance and risks survey.





LYDIA MWIRIGI - Manager, Claims

Lydia holds a Master of Laws Degree from the University of Nairobi as well as a Post Graduate Diploma in Laws from the Kenya School of Law. She is an Advocate of the High Court of Kenya and a Fellow of the Insurance Institute of India. She joined the insurance industry as a Legal Officer at Fidelity Shield Insurance Company in 2002 where she rose to the position of a Claims Manager. She later worked at Occidental Insurance Company between 2010 and 2015 as the Claims and Legal Manager and thereafter joined Kenya Orient Insurance Limited in July 2015 as the Assistant General Manager – Claims. She joined ICEA LION in February 2017.

Lydia has extensive experience in the corporate world specifically in the insurance sector where she has worked in both the claims and legal departments. She has proven technical expertise in Insurance Law, International Trade & Investment Law and International Maritime Law and has made contributions to the Insurance Industry in the area of Marine Insurance.

At the Industry level, Lydia has served as a Committee Member of the Marine and Aviation Technical Committee and the Accident Committee at the Association of Kenya Insurers. She is a member of the Law Society of Kenya.



MARYLEEN THOME - Head of Customer Experience

Maryleen holds a Bachelor of Arts in Tourism Studies from Kenyatta University. She has 17 years wealth of vast experience in Client Services Management transcending insurance, hospitality & tourism sectors. Prior to joining ICEA LION she worked at Jubilee Insurance Company of Kenya as the Customer Service Manager, AAR Action as the Business Development Manager - Kenya, AAR Health Insurance as the Business Development Manager - Nyanza and Western region, Maseno University as the Business Development Manager, Tourist Trust Fund & Kenya Red Cross Society as the Lead Consultant. She was also the founder of Emergency Plus Medical Services (E+ Ambulances).

At Customer Experience Management level, she has contributed to the formulation of The Domestic Tourism Development and Disaster Management Policies in Kenya, European Union's Tourist Trust Fund's 2004 Tourism Investment Plan for Kenya, Jubilee Insurance's COYA Award Winner in 2015 and the ICEA LION General Insurance Customer Service Awards achievements.

KEVIN NYAKERI - Manager, Internal Audit

Kevin holds a Bachelor of Commerce - Finance degree from the University of Nairobi. Professionally, he is a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also a Chartered Financial Analyst (CFA Charterholder) from the CFA Institute (Charlottesville, Virginia USA). Kevin is both a member of the Global CFA Institute and the CFA Society East Africa.

He commenced his career as an audit associate with Ernst & Young LLP serving audit and advisory consultancy clients. Kevin later joined the First Chartered Securities Limited as a senior auditor serving group companies in Insurance, Logistics and Asset Management sectors within the region. In 2012, he moved to ICEA LION to manage the Internal Audit function.

Kevin was a founding member of the Internal Audit Workgroup of ICPAK and an active member of the CFA East Africa Society's Strategy, Advocacy and PR Committee. He has been involved in organizing East Africa investor-oriented conferences bringing together leading lights in the Finance and Investments industry within the region and globally. Additionally, he has been serving as a judge and an industry mentor for the annual CFA Institute Research Challenge for East Africa's top universities.



JOY GACHOKA - Head of Actuarial

Joy holds a Bachelor of Science in Actuarial Science from the University of Nairobi and is currently pursuing Actuarial Fellowship from the Institute and Faculty of Actuaries (IFoA). She is also a chartered accountant and a member of the Association of Chartered Certified Accountants (ACCA).

She started off her career as an Administrative Assistant at Knots Construction in 2008 before moving on to become a Finance Sourcing Assistant at Thomas Daniel & Associates in 2012. She then joined ICEA LION Life Assurance as an Underwriting Assistant before taking on her current role as the Head of Actuarial in 2014. Joy is the Co-Chair of ICEA LION Group's Innovations Committee and a Project Team Member on the Strategy Task Force.

Joy is a member of the Actuarial Society of Kenya's General Insurance Working Party. She previously served as the immediate former Secretary of the Working Party. She is also a member of the Society's IFRS Working Party.



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 also a Certified Public Accountant of Kenya (CPA-K) and a Certified Public Secretary (CPS) of good standing.

Naomi's experience in the industry spans 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 BA 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 also 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 - 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 reorganization.

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, UK and a BA in Political Science and Sociology from the University of Nairobi. She has 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 Masters of Information Systems from Queensland University in Australia. He is also 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 Institute of Advanced Technology (IAT) and later as an ICT Solution Developer at Symphony Technologies Ltd. He then 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 IRM UK, a Diploma in Business Continuity from Bucks New University, UK 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 12 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 Institute of Risk Management (IRM UK) and Chair of the Association of Kenya Insurers Risk Management Committee. She is a Task Force member for the UNEP FI Sustainable Finance for Africa and Middle East. Dorothy is a Fellow of the Swedish Institute Management Programme (SIMP), a global programme on Leadership and Sustainability for Young African leaders. Dorothy was the Inaugural Risk Manager of Year at the 2017 Think Business Insurance Industry Awards.



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.



NEW MANAGERS JOINING THE LEADERSHIP TEAM IN 2018 TO STRENGTHEN BUSINESS DEVELOPMENT



ANDREW MUTURI, Manager – Business Development – Direct

Andrew holds a Bachelor of Commerce Degree from the University of Nairobi and a Diploma in Business Information Technology from Strathmore University. He is currently pursuing his MBA in Strategic Management from The University of Nairobi. He is also an Associate of the Insurance Institute of Kenya (IIK).

Andrew has 11 years experience in the insurance industry having started his career at AIG Insurance Company. He joined Jubilee Insurance Company and most recently was part of the AoN Kenya Insurance Brokers (now Minet Insurance Brokers) team where he had worked for 6 years prior to joining ICEA LION. He has experience with both Underwriting and Business Development throughout his career with a specialization in both General and Medical Insurance.



RADCLIFFE NYAMAI, Manager – Commercial Business Development

Radcliffe holds a Bachelor of Finance Degree from Catholic University of Eastern Africa. He is an Associate of the Chartered Insurance Institute (CII) – UK and a Chartered Insurance Practitioner. Radcliffe is also an Associate of the Insurance Institute of Kenya (IIK).

He started out as a Management Trainee at AoN Kenya Insurance Brokers scaling the ranks from Assistant to Senior Management. Prior to joining ICEA LION, he worked for a year and a half in Mauritius as the Head of Insurance Broking for AoN. His responsibilities included business development, operational management, innovation and customer service. He handled various risks across Kenya and the larger African region including a regional Pan African insurance placement with 16 participating countries.

Radcliffe is a well-rounded insurance professional who has a wide range of insurance expertise in various classes of insurance within general insurance encompassing the areas of underwriting, claims, reinsurance, business and product development. He also has expertise in life insurance and pensions. He has worked with a wide range of clients across various sectors such as aviation and technology, professional institutions, transport and logistic firms, oil and gas, tourism and hospitality, banking and financial sectors.



Subsidiaries

RAVINARAYANAN KRISHNAMURTHY

CEO - ICEA LION General Insurance Tanzania

Ravinarayanan holds a Bachelor of Science in Mathematics, Physics and Statistics from Madurai University, India and Completed one year of M.Sc. (Econometrics) and discontinued to join Canara Bank India (1976). He is a Fellow of the Insurance Institute of India F.I.I.I. – Mumbai.

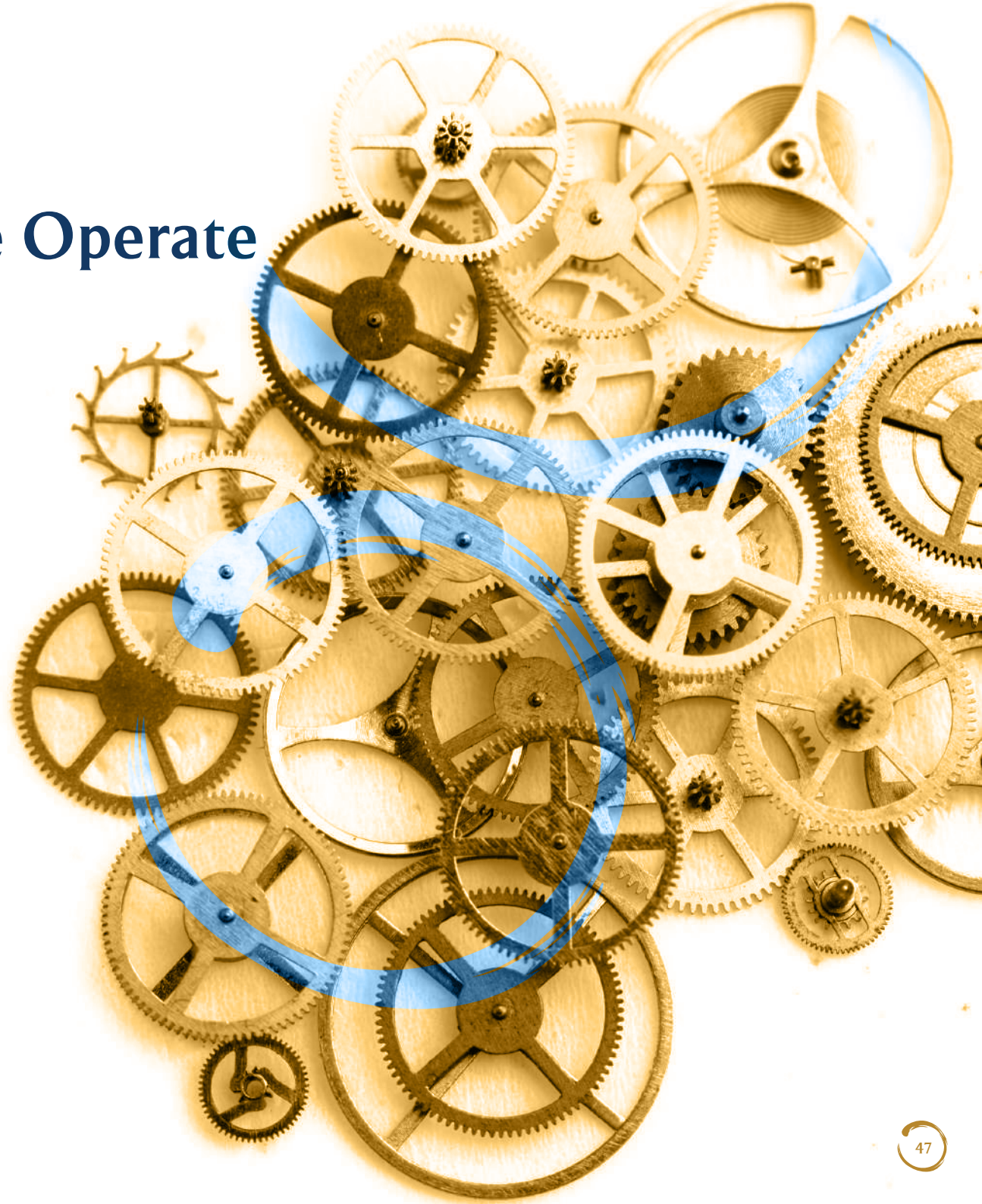
He started off his career as an Administrative Officer and rose to Regional Manager at The New India Assurance Company Ltd with experience in India and abroad. He then moved to Alliance Insurance Corporation Limited, Tanzania where he served as General Manager between 1998 – 2002. He then joined Reliance Insurance Company Tanzania Ltd as CEO between 2002 and 2011 before moving to Pamoja Africa Ltd. At this insurance surveyor and loss assessment firm in Tanzania he served as Managing Director between November 2011 and August 2013. In September 2013, he joined ICEA LION General Insurance Company Tanzania as the Chief Executive Officer.

At the industry level, Ravi has served in the following capacities at the Association of Tanzania Insurers (ATI): Chairman, Market Best Practices Code Committee, Chairman, (2008 – 2010), Secretary, (2003 – 2006). He also served as a Director, Tanzania National Reinsurance Corporation Ltd (April 2011 – September 2011).



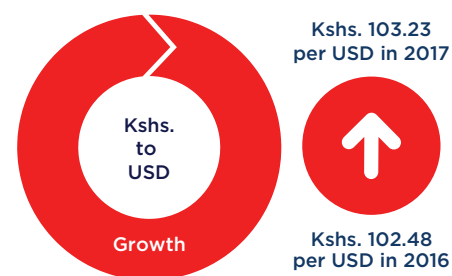
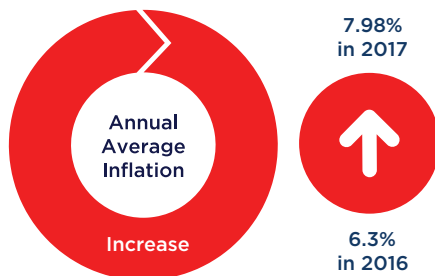
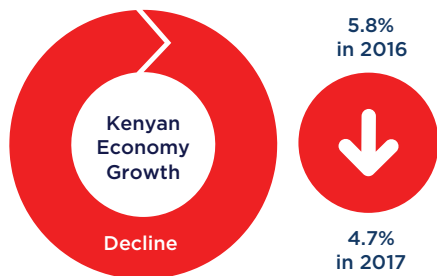
02

Where & How We Operate



Operating *Context*

KENYA'S ECONOMY



This was mainly due to the adverse weather conditions which pushed up the food prices in the year before the onset of the short rain season, rising global oil prices and increased expenditure during the electioneering period. The inflation rate was on an upward trend for the first 5 months of the year peaking 11.7% in May, it dropped to 9.2% and 7.5% in June and July respectively but rose to 8% in August. Thereafter it was on a downward trend for the last 4 months of the year closing at 4.5% in December 2017.

The Kenya Shilling remained relatively stable against USD supported by strong diaspora remittances, resilient tea and horticultural exports, and the continued recovery in tourism.

The Central Bank Rate (CBR) remained stable at 10% throughout the year 2017

Nairobi Securities Exchange (NSE) All Share Index gain in 2017

27.2% ↑

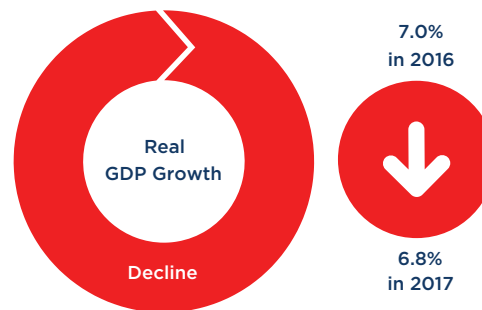
The stock market was the best performer in all the investment classes, outperforming real estate, treasury bills and treasury bonds. The NSE 20-Share Index, which tracks blue chip firms, went up by 16.5%.



Bringing to an end a two-year bear run that had eroded market value by Kshs. 745 Billion between March 2015 and March 2017

TANZANIA'S ECONOMY

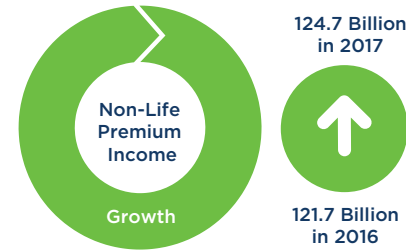
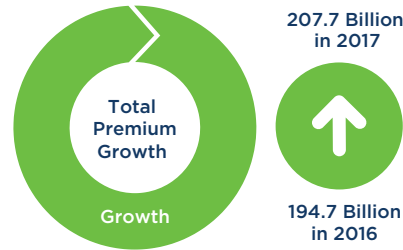
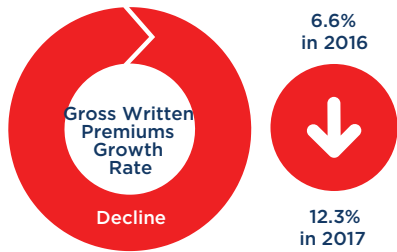
2017 was one of the most challenging years due to liquidity woes underpinned by the removal of government deposits from commercial banks, cut of government expenditures, dramatic fall in lending to the private sector and tight monetary policies.



Projected to grow by 7.1% in 2018

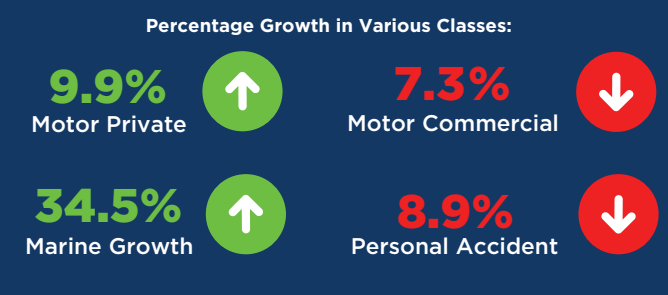
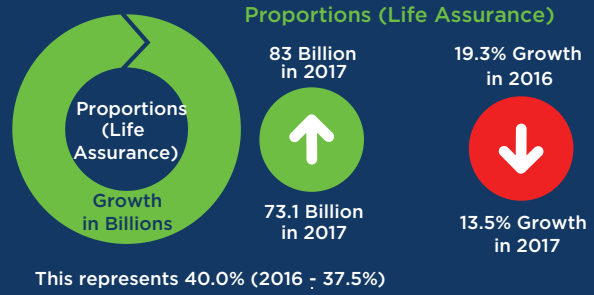
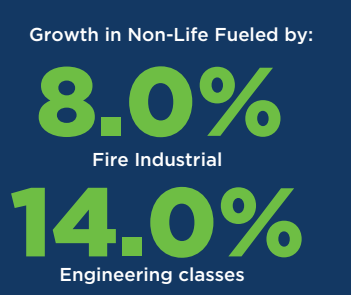
KENYA'S INSURANCE INDUSTRY

INDUSTRY PREMIUMS



This represents 60.04% (2016 - 62.5%) of the industry's total premium. This is a growth of 2.5% compared to 8.5% in 2016. Excluding medical business, non-life industry growth in 2017 was 3.3% over 1.2% in 2016.

CONTRIBUTION TO PREMIUM GROWTH



CLAIMS RATIO & COMMISSIONS

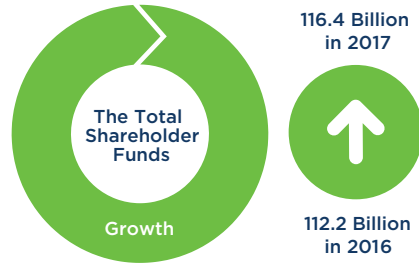


Commissions and expenses of management were fairly flat



Representing an increase of 0.3% (2016 - 9.3%)

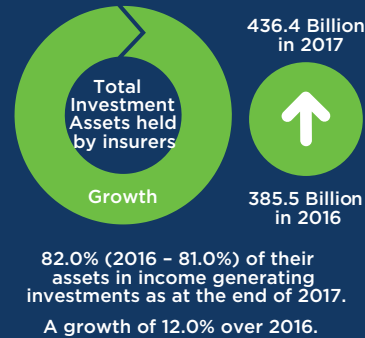
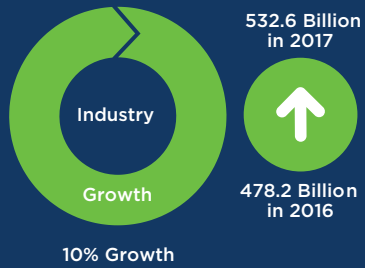
TOTAL SHAREHOLDER FUNDS (LONG & SHORT TERM BUSINESS)



Key components of shareholders' funds comprised retained earnings at 37.9 % (2016- 38.9%), paid up capital at 28.7% (2016-29.9%), statutory reserves at 15.4% (2016-15.8%) and others at 18.0% (2016- 15.4%).

Representing a growth of 4% (2016 - 10%)

ASSET BASE LIABILITY



Non-Life Assurance Business Investments:

117.5 B ↑ up from 113.6 B
Constituted 27% (2016 - 29.0%) of total investments for industry

Life Assurance Business Investments:

318.9 B ↑ up from 271.9 B
Constituted 73% (2016 - 71.0%) of total investments for industry

TANZANIA INDUSTRY PLAYERS

31
Insurers

As at December 2017 there were thirty one insurers and one reinsurer registered in Tanzania. The industry therefore remained highly competitive.

1 Registered Reinsurer in Tanzania

CHALLENGES AND OPPORTUNITIES

The insurance industry has continued to be faced by various challenges and opportunities which include mergers, acquisitions and new entrants, Risk Based Capital (RBC) regulation, slow growth and low penetration rates amid issues with fraudulent claims especially on motor and medical classes of business. Insurance still remains a secondary or tertiary need for households.

Non-life insurance's share remains larger compared to the life insurance comprising 60.0% of the total insurance Gross Written Premiums. This is partly driven by mandatory lines of cover for the Non-life products such as motor insurance. Motor and medical classes continue to be the fastest growing and also contribute the largest level of underwriting losses in the non-life industry. The legal requirement that no one individual should own more than 25.0% of the share capital of an insurance company has seen various mergers and acquisitions happen in the sector.

Stiff competition and undercutting amongst the industry players also remains a major challenge to the insurance industry. This has resulted in players underwriting at unsustainable rates hence the continuously thinning profitability margins in the sector. With the introduction of International Financial Reporting Standard No. 17 (IFRS 17 – Insurance Contracts), insurance companies will be required to recognize the expected losses from an insurance contract at the onset of the contract. It is hoped that this standard will improve the underwriting practices in the sector to ensure the correct actuary derived rates are charged per policy.

Premium collection for the non-life insurance sector has also posed challenges with a lot of managerial efforts going towards premium collection. With the introduction of International Financial Reporting Standard No. 9 (IFRS 9 - Financial Instruments), effective 1 January 2018, the sector is likely to suffer larger impairment losses and hence the need to foster improvements in premium collection.

REGULATORY FRAMEWORK

The Insurance Act has provided for the extension of Risk Based Capital (RBC) Requirements – specified at 200.0% - from 30 June 2018 to 30 June 2020.

In 2018, the Cabinet Secretary for the National Treasury issued various regulations including the Bancassurance Regulations, Insurance Group Wide Supervision Regulations, Micro Insurance and Takaful Regulations.

In 2017, the industry was also faced with Excise Duty Assessments by the Kenya Revenue Authority and stakeholders have been engaging the authority to resolve the matters raised.

Stakeholder Context

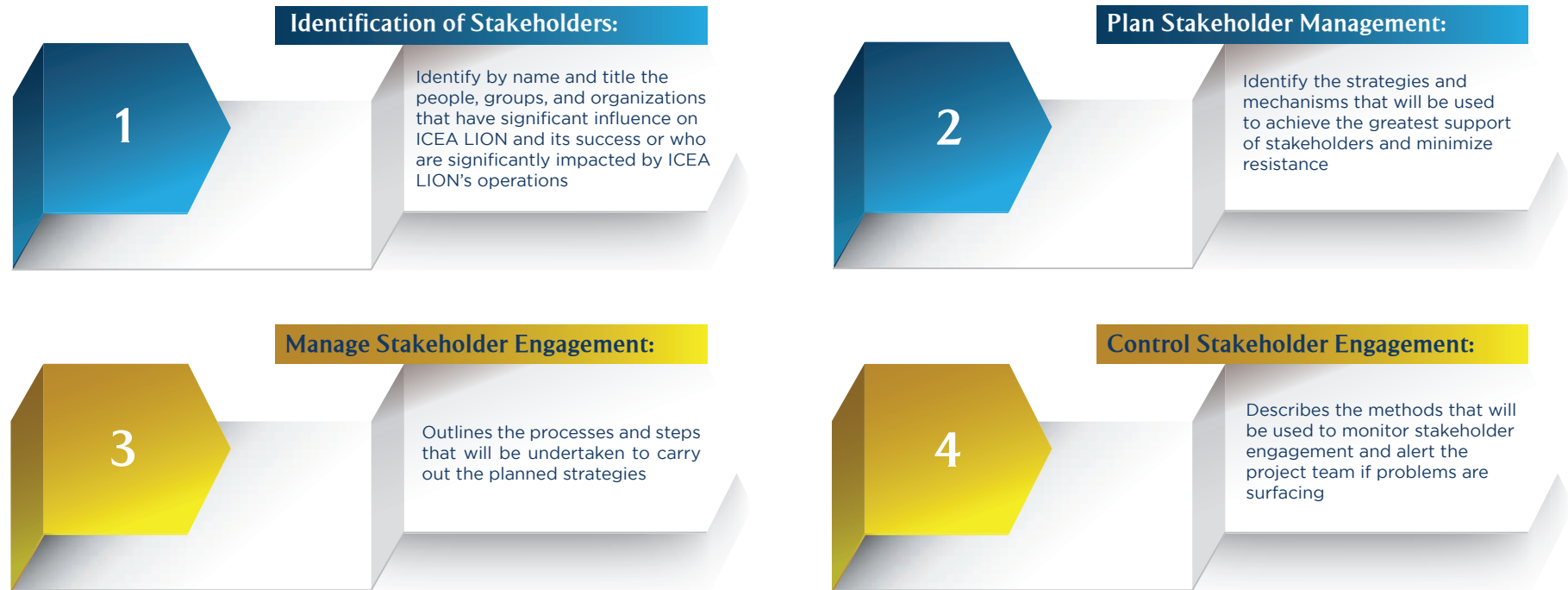
ICEA LION is committed to delivering on its Mission To Protect and Create Wealth for all its stakeholders. This is articulated in ICEA LION's Stakeholder Management Plan that provides guidelines as to how we govern communications, engagement and release of material information about the Company to ICEA LION Group's stakeholders across our network in Kenya, Uganda and Tanzania. This plan will be rolled out across the region from 2018.

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 organizations 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 analyze 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.

A snapshot of ICEA LION's stakeholders is illustrated below:



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





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 organization'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
<p>Customers</p> 	<ul style="list-style-type: none"> • Provision of insurance solutions that provide capacity and protection to enable them manage their risks, realize 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 	<ul style="list-style-type: none"> • 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
<p>Regulators</p> 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Contribution to economic wealth via tax, job creation and skills development • Contribution to development of the industry 	<ul style="list-style-type: none"> • Exposure to internal and external audits • Compliance with laws and regulations • Disclosure of financial performance and other indicators on public platforms • Participation in development of the industry to improve • Meeting our obligations in a timely manner • Championing integrity • Embracing data protection best practice

Stakeholder Group	Their Expectations (Material Issues)	Our Response
<p>Employees</p> 	<ul style="list-style-type: none"> • Timely remittance of salaries and obligatory commitments • Fair and transparent rewards • Safe and engaging environment in which to work • Personal and professional development • Job satisfaction and recognition • Compliance with laws and regulations 	<ul style="list-style-type: none"> • 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 performance and other indicators on public platforms
<p>Intermediaries</p> 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
<p>Shareholders</p> 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Promotion of sustainable growth in shareholder value through effective strategies • Practice of responsible corporate governance 	<ul style="list-style-type: none"> • Comply with laws and regulations • Disclose all information at all engagements including internal and external audits • 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
	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Comply with laws and regulations • Champion the development of the industry • Disclose financial performance and other 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
	<ul style="list-style-type: none"> • Practice of responsible consumption • Reduction of carbon footprint • Observance of fair practice • Compliance with Energy Regulatory Commission Guidelines and other laws and regulations 	<ul style="list-style-type: none"> • 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
	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
	<ul style="list-style-type: none"> • Practice of fair tendering and engagement • Business partnership and reciprocity • Compliance with laws and regulations 	<ul style="list-style-type: none"> • 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
	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Be transparent in all our interactions • Comply with laws and regulations • Disclose all information regarding our financial performance and other indicators on public platforms • 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
<p>Public</p> 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
<p>Business Competitors</p> 	<ul style="list-style-type: none"> • Fair business practice • Adherence to legal and industry regulations such as Anti-Money Laundering and other laws and regulations • Business partnership and reciprocity 	<ul style="list-style-type: none"> • Disclose financial performance and other indicators on public platforms • Be transparent in all our interactions • 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
<p>Others*</p> 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Disclose financial performance and other indicators on public platforms • Be transparent in all our interactions • 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



Statement by *General Manager (Strategy & Innovation)*

Below is a summary of our 2013-2017 strategy depicting what we had planned to accomplish against the actual results.



- PROFITABLE GROWTH**
Achieved GWP of Kshs. 6.1 b against target of Kshs. 13 b. Achieved PBT of Kshs. 1.04 b against target of Kshs. 2.65 b
- ORGANISATION EFFICIENCY** - Achieved expense ratio of 15.0% against budget of 10.0%
- ONE STOP SHOP**
Group achieved internal & external synergies though more extensive collaboration is expected in future
- EMPLOYER OF CHOICE**
Group was awarded Deloitte's Best Company To Work For in 2014, 2015 & 2016
- PAN AFRICAN PRESENCE** - We operate in Kenya & Tanzania in the short run & continue to scout for more suitable markets
- CUSTOMER SERVICE EXCELLENCE** - Group was awarded & recognized winner on numerous forums for Customer Service
- INNOVATION VIA TECHNOLOGY** - Great strides were made to improve basic infrastructure to support the Group Wide Network

The Group is committed in ensuring that all the stakeholders' interests are considered in implementation of its strategy.

“Strategy implementation and execution is pivotal to the running of our business and forms the steering wheel against which all business decisions are made and evaluated.”

Naomi Munyi

03

Our Governance Framework



Chairman's Governance Statement

On behalf of the ICEA LION General Insurance Board, it is my pleasure to share with you this comprehensive 2017 Corporate Governance Report. In 2017, my fellow Directors and I have overseen the continued growth and transformation of ICEA LION. We refined the Company's governance framework, including improving our internal board evaluation processes. This model of governance reflects our culture of performance, compliance, and accountability and supports our core strategic drivers.

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.



“Good corporate governance is an essential part of running our business effectively.”

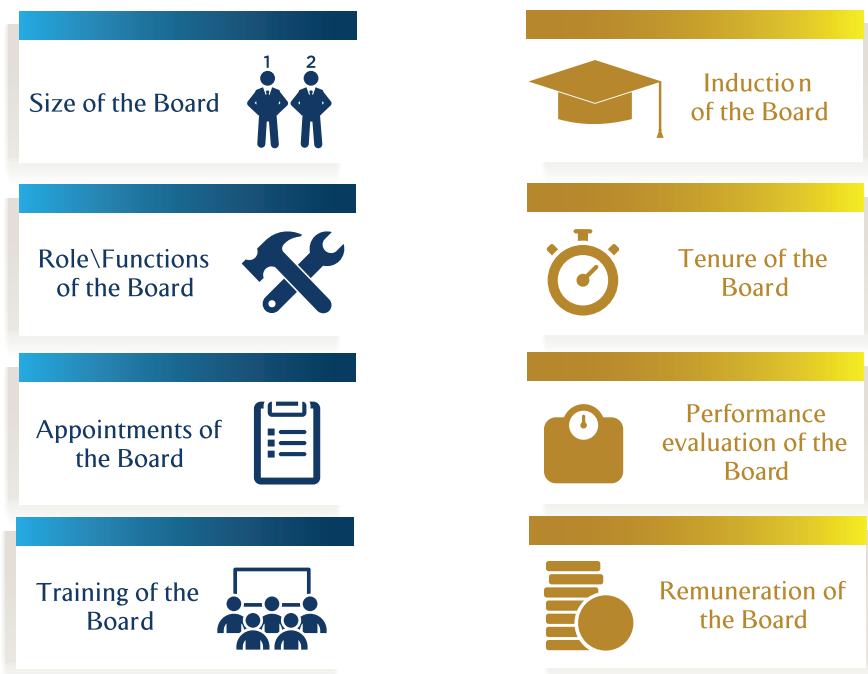
Dr. Chris Obura

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.

Board Charter Components



BOARD COMPOSITION & APPOINTMENTS

Our current Board of Directors consists of the Chief Executive Officer, and seven 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

Through a careful and thorough selection process we sought appointment to our Board new directors with experience in various fields of financial services and emerging markets and technology. They will bring a varied range of skills and experience to the Group. As we work towards achieving age, skill, and gender diversity, four new Directors joined our Board in 2018.

The Nomination and Remuneration Committee confirms that the new Directors have the skills and experience necessary in light of ICEA LION's current and future strategic direction in the new planning period 2018 to 2022.

Their profiles are highlighted overleaf.

NEW DIRECTORS JOINING THE BOARD IN 2018



KAIRO THUO

Kairo Thuo is a consultant and a founder partner of Viva Africa Consulting LLP and Viva Africa Consulting Limited.

Kairo 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 and was the Director of the unit. This group was responsible for merger, acquisition, transaction arrangements, wealth structuring and funds management, corporate and legal structuring.

Kairo has developed extensive experience in all areas of taxation in Kenya, Uganda, Rwanda and Tanzania and has also been involved in tax matters involving other countries in Africa. His experience involved all areas of legal, finance and taxation and was also involved in establishment of specialized tax service lines in direct and indirect taxation including customs, international tax and transfer pricing.

He has conducted numerous tax and legal training seminars in Kenya and Tanzania and specific tax and legal workshops for various clients in Kenya. He has also assisted numerous clients in resolving various disputes with the revenue authority and other regulatory authorities in Kenya, Rwanda and Tanzania as well as lobbied for specific tax legal positions in Kenya.

Amongst many of his key achievements, Kairo remains the only individual to-date to be recognized by KRA in the annual taxpayers' awards for contribution towards tax education in Kenya having also been recognized 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. Kairo is also a regular contributor to the Business Daily and previously the East African Standard.

He also serves on the Boards of the Kenya Power and Lighting Company Limited and the Special Economic Zones Authority. He joined the NIC Board on 27th November 2013. Kairo is also a member of the ICEA LION Asset Management Board.

NEW DIRECTORS JOINING THE BOARD IN 2018



DR. CAESAR J. M. MWANGI (PhD)

Caesar is the Managing Director of the Centre for Personal Leadership (CPL Africa) where he has been involved in designing and delivering people and organizational improvement initiatives focused on organizational transformation through effective leadership practices and development of enabling organizational culture.

Caesar has a PhD. in Organizational 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.

His work at CPL is predicated on his varied leadership experience and his consulting and academic pursuits aimed at ensuring organizations operate optimally and sustainably with their people being their greatest asset.

Prior to this he worked as the Managing Director of Sasini Ltd, a publicly listed agribusiness in which 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) responsible for Risk Management and Internal Audit Activities in the Africa and Europe Region based in Addis Ababa.

He is trained in Corporate Governance by the Centre for Corporate Governance and he has been a facilitator on the Effective Director (TED) programme at Strathmore Business School.

He is currently the Vice Chairman of the Strathmore University Council and he 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.

NEW DIRECTORS JOINING THE BOARD IN 2018



MARIAM ABDULLAHI

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 19 years of experience in both IT and Telco industries, Mariam's career began in the automotive industry in the UK where she led IT Services & Outsourcing for Ford Motor Company. Since then she has held various leadership positions in Sales, Operations, Customer Service and Transformation lead roles at multinational organizations including Microsoft, Oberthur Technologies, Brightpoint, Zain and Emirates telecommunications company 'du' in the United States, 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.

NEW DIRECTORS JOINING THE BOARD IN 2018



MUGWE MANGA

Mugwe Manga 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, UK.

Mugwe has a Masters 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 8 years experience across various sectors in Africa. He boasts demonstrable capacity of conceptualizing start-up initiatives and growing them to large scale investor-ready organizations. 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.

Mugwe has been a guest speaker at numerous forums for UN Development Assistance Framework (UNDAF), NairoBits Foundation, Kenya Mining Forum, Geothermal Risk Mitigation Facility (GRMF) Regional Leaders Conference and the Kenya Renewal Energy Forum.

Mugwe's personal achievements include completing the Mt. Kenya, Peak Lenana Climb, co-founded the University of Nottingham Economics Review Magazine and the President of Nottingham Economics Society. He was Vice-President of the University of Nottingham Model United Nations Society. He was the University of Nottingham Students in Free Enterprise (SIFE) team member and the University of Nottingham Student Business Venture Challenge Bronze Award. He is also a Certified St. John First Aider and Volunteer.

Mugwe sits on the Board of Trustees of Mbugua Rosemary Foundation.

BOARD MEETINGS AND INFORMATION FOR DIRECTORS

In 2017, 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 Insurance Regulatory Authority, KRA, auditors, actuaries and rating agencies are reviewed at Board meetings and appropriate action taken. With effect from 1 January 2018, we as a Board will continue to meet four times a year.

Board Evaluation

Regulations calling for Board evaluation represent the minimum requirements. The Company has put in place a Board evaluation carried out by an external consultant, coordinated by the Chairman and Company Secretary that 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.

The evaluation concluded that we as a Board enjoy a deep sense of harmony and mutual respect with strong interpersonal relationships demonstrated. We operate well and cohesively, although it was appreciated that there is a need for considerable change to the composition of the Board. It stated that we as a Board are satisfied that each of the Non-Executive Directors commit sufficient time to the business of the Company and contribute to the governance and operations of the Company.

It was emphasised that our Board would benefit from external perspectives that independent directors might bring especially in light of the rapidly changing market dynamics, diversity around gender, age and skills such as actuarial. It was also noted that even though we have significant technical expertise on the Board, training on emerging business trends such as cyber security, data privacy, block chain technology, among others are a critical requirements of any 21st century board. Due attention will be given to this in the design of the annual board training calendar.

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 Public Secretaries (ICPSK) in 2015 through to 2017. The governance audit reports were discussed at the Nomination and Remuneration Committee meeting and gaps identified were closed. In 2017, ICEA LION General Insurance emerged the Winner for the Insurance Sector at the ICPSK Champions of Governance Awards with our Company Secretary emerging second runners up for the Company Secretary of the Year. Further, at the Kenya Institute of Management (KIM) Company of the Year Awards (COYA), our CEO, Steven Oluoch was awarded the Overall CEO of the Year Award for his leadership and governance practices.

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 realize 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 regularly to the Board.

BOARD OF DIRECTORS



(a) Board Audit and Risk Management Committee

This committee is chaired by a non-executive director. There are five other directors who sit in this committee. The CEO, General Manager - Strategy & Innovation, General Manager - Business Development & Distribution, Chief Financial Officer, Manager - Internal Audit and the Manager - Risk and Compliance attend by invitation.

The committee met three times in 2017 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. With effect from 1 January 2018, the committee will meet four times a year. 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 and Investments Committee

This committee is chaired by a non-executive director. Four other non-executive directors also sit in this committee. The CEO, the General Manager - Strategy & Innovation and the CEO of ICEA LION Asset Management Limited attend by invitation.

The committee met three 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. With effect from 1 January 2018, the committee will meet four times a year. Matters relating to assets and liability management are also dealt with by this committee.

(c) Board ICT Committee

This committee is chaired by a non-executive director. Four other non-executive directors also sit in. The First Chartered Securities Group Information Systems Manager, the CEO, the Assistant GM - ICT, the General Manager - Strategy & Innovation and Manager - Risk and Compliance attend by invitation. This committee met three times in 2017 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. From 1 January 2018, the committee will meet four times a year.

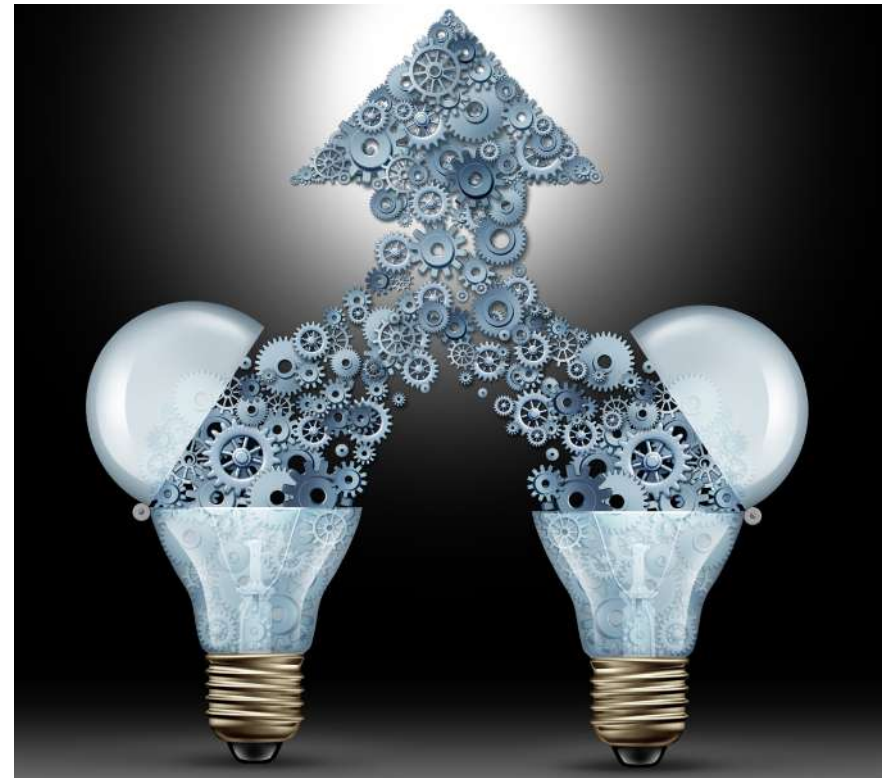
(d) Board Nominations and Remuneration Committee

This committee is chaired by a non-executive director and includes three other non-executive directors. 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 and Innovation Committee

This will be the newest Board committee established. In 2018, it will be formed to focus on innovation as a key strategic pillar essential for success. This committee will be the Board's oversight and liaison committee on formulation and implementation of our innovation agenda and related matters.

Its roles will include vetting of the Company's innovation strategy and investments in innovation development prior to submission to the Board for approval. It will also monitor 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 Meeting and Board Sub-Committee Attendance

Board of Directors				
Member		24.03.2017	25.08.2017	24.11.2017
Dr C W Obura	Chairman	✓	✓	✓
J P M Ndegwa	Member	✓	x	✓
A S M Ndegwa	Member	✓	✓	x
R M Ndegwa	Alternate Director	✓	✓	✓
J K Muiruri	Member	✓	✓	✓
J K Kimeu	Member	✓	✓	✓
D G M Hutchison	Member	✓	✓	✓
P K Mugambi	Alternate Director	✓	✓	✓
S O Oluoch	Chief Executive Officer	✓	✓	✓

Board Audit, Risk & Compliance Committee				
Member		09.03.2017	29.06.2017	12.10.2017
J K Muiruri	Chairman	✓	✓	✓
A S M Ndegwa	Member	✓	✓	✓
J K Kimeu	Member	x	✓	✓
D G M Hutchison	Member	✓	✓	✓
P K Mugambi	Member	✓	✓	✓
R M Ndegwa	Member	✓	✓	✓
S O Oluoch	Chief Executive Officer	✓	✓	✓

Board Finance & Investment Committee				
Member		27.02.2017	26.06.2017	02.10.2017
A S M Ndegwa	Chairman	✓	✓	✓
J K Kimeu	Member	✓	✓	✓
J K Muiruri	Member	✓	✓	✓
P K Mugambi	Member	✓	✓	✓
S O Oluoch	Chief Executive Officer	✓	✓	✓

Board Meeting and Board Sub-Committee Attendance

Board ICT Committee				
Member		27.02.2017	26.06.2017	02.10.2017
D G M Hutchison	Chairman	✓	✓	✓
A S M Ndegwa	Member	✓	✓	✓
J K Muiruri	Member	✓	✓	✓
J K Kimeu	Member	✓	✓	✓
P K Mugambi	Member	✓	✓	✓
S O Oluoch	Chief Executive Officer	✓	✓	✓

Board Nomination & Remuneration Committee			
Member		27.02.2017	26.06.2017
J P M Ndegwa	Chairman	✓	✓
A S M Ndegwa	Member	✓	✓
J K Muiruri	Member	✓	✓
J K Kimeu	Member	X	✓
S O Oluoch	Chief Executive Officer	✓	✓

PRESENT ✓

ABSENT WITH APOLOGIES X

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. In 2015, we were Winner for the Risk Management category and the First Runners Up in 2014 and 2017 at the Think Business Insurance Awards.

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 rules-compliant and values-based corporate leadership. These guidelines include:

- the Corporate Governance Code for Private Sector Organisations;
- the Anti-Money Laundering Guidelines by the Insurance Regulatory Authority (IRA);
- the UK Corporate Governance Code;
- Organisation for Economic Co-operation and Development (OECD) Principles on Corporate Governance;
- The 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.

Whistleblowing Posters



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 2017. (See page 212)

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 47(a) and (b) to the financial statements for the year ended 31 December 2017. (See page 211)

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 the 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 the 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 International Auditing Standards. Our Directors recognise and have confirmed our 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 122 to 127 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 COMMUNICATION & TECHNOLOGY

Information Communication Technology is a key strategic pillar and plays a crucial role in ensuring we remain a competitive financial services player. Consequently, 2017 saw new and existing ICT projects well resourced and supported by ICEA LION. 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. In 2016, ICEA LION became signatories to the United Nations Environmental Programme Finance Initiative (UNEP FI) Principles of Sustainable Insurance (PSI). We are delighted to be one of only five insurers in Africa and the first in East Africa, to sign on to these principles. This is testament to our trailblazing spirit and indeed to our deep-rooted commitment to sustainability. These Principles, developed by UNEP's Finance Initiative and signed in June 2012 at the RIO+20 Summit in Brazil, are a framework for the global insurance industry to address environmental, social and governance risks and opportunities.

They 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. We are indeed delighted to become part of this elite network.

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. 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, this being the first such report.



FUTURE OUTLOOK

In light of the Company's focus towards innovation as a key strategic pillar, we have incorporated a Growth and Innovation Board Committee from 2018. This committee, headed by a Non-executive Director, will be the Board's oversight and liaison committee on formulation and implementation of the Company's growth and innovation agenda. Two other Non-executive Directors sit on this committee. Its roles includes vetting of the Company's innovation strategy and investments on innovation development as well as monitoring compliance with the approved innovation strategy including innovation portfolio mix and the progress made in its implementation. We are excited at the new opportunities that technological and other economic advances continue to provide; and have geared ourselves to ensuring we are at the forefront of innovation within the financial services industry. Looking ahead, the Board and I will continue to work closely with the management team, shareholders, and other stakeholders as we pursue our strategic initiatives. We will continue to develop our governance policies and processes in line with good practice thereby enabling our team to best utilise their skills effectively. It is our commitment to position ourselves to best serve the needs of the business and to support the management team in the delivery of our strategy.

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

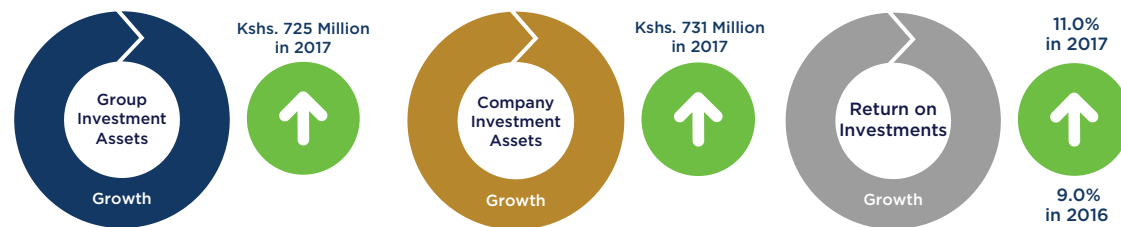
Board Finance & *Investment Committee* Report

It is my pleasure to report to you on the activities of our Board Finance and Investment Committee for the year ended 31 December 2017. The Committee is charged with the responsibility of reviewing investment policies and strategies, monitoring the performance of the investment portfolio, recommending investment proposals to the Board for approval and overseeing investment projects. The Committee reviews and recommends to the Board the Company's asset allocation policies and strategies as well as engaging investment managers and consultants.

Key agenda items during our 2017 meetings included review and recommending Board approval of the Company's:

- Investment Policy Statement
- Asset Liability Matching Policy
- Revised counterparty risk model, designed to manage investment risk in what has become a challenging market environment.

In addition the Committee continued to monitor the performance of the Company's investment portfolio and provide guidance to both management and the investment managers.



“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

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 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. The committee met three times during the year; with effect from 1 January 2018, the committee will meet four times a year.

AUDIT & RISK COMMITTEE ACTIVITIES IN 2017

During the year, the Committee has:

- Considered the appropriateness of 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 page 85 to 93.
- Considered systems design, implementation and related project management in respect of changes to the Group's financial reporting systems and processes.
- Reviewed key policies including those governing ethics and business processes.
- Discussed the new reporting requirements under the Kenyan Company's Act 2015.

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; and
- 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 147 of this report.

FINANCIAL REPORTING

New International Financial Reporting Standards (IFRS)

The committee reviewed the International Financial Reporting Standards (IFRS) that will be adopted in future reporting periods and their implication on the Group's reporting. The new IFRSs reviewed included IFRS 9, Financial Instruments effective 1 January 2018 and IFRS 17, Insurance Contracts effective 1 January 2021.

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 Tanzania 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. A number of ICT controls

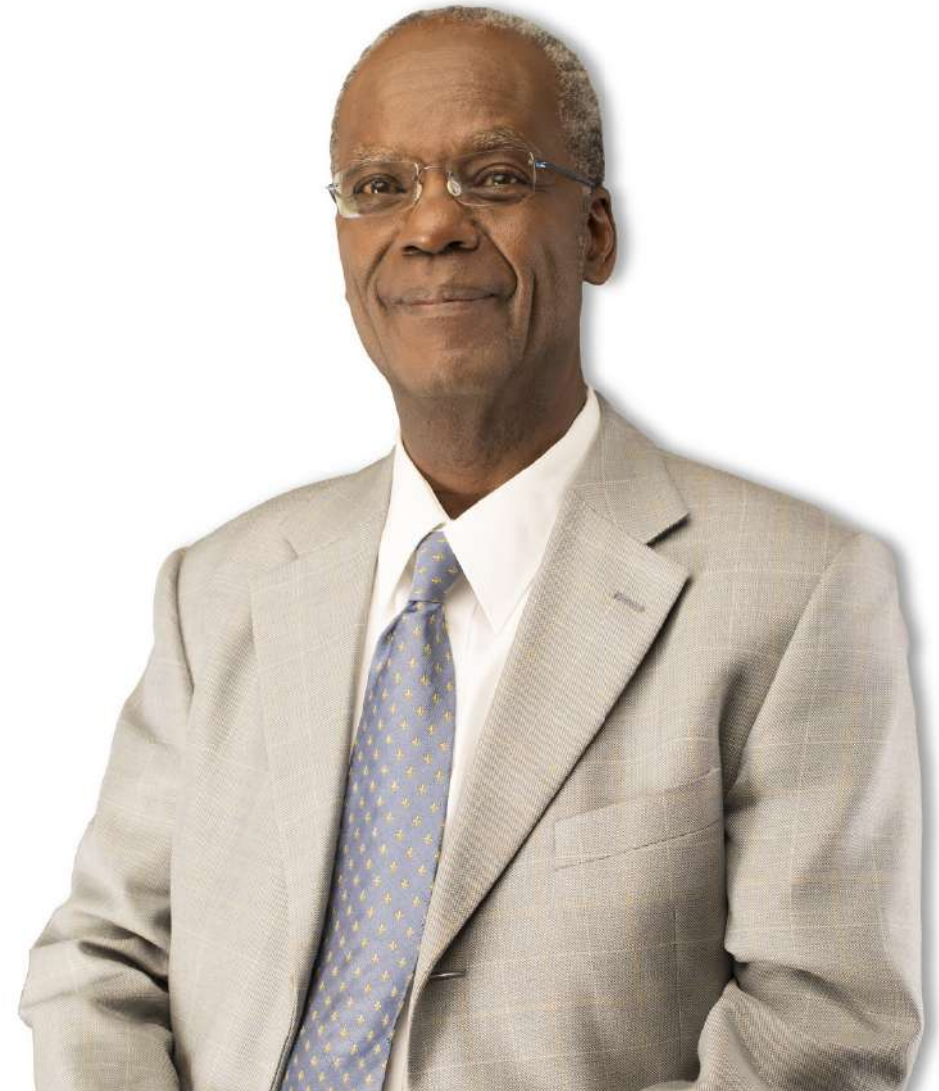
have been put in place over the years to mitigate against ICT related risks. No major information security breaches were noted in 2017. Cyber security continues to be top on the agenda with focus placed on the development of a group-wide cyber security strategy to be implemented by all subsidiaries.

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 85 to 93 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; and
 - the department's findings, annual plan and the resources available to it to perform its work; and 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.



“We are committed to incorporating best in class processes in risk management, compliance, internal control processes within the Company.” Joseph Muiruri

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:



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 auditor's fee.

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. In light of this, the Company is in the process of hiring a high calibre information systems auditor to further enhance controls as well as provide more technical assurance on information technology controls and processes. This resource will report to and provide support for the Internal Audit function.

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 ICT Committee, I am pleased to report on our activities for the year 2017. 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, prioritised and adequately funded. Our Committee principally advises the board of directors on ICT strategy direction, initiatives, cyber-security and ICT risk management. The committee is responsible for:

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

Driving excellent customer experience through digital touch points and partner connectivity have been the main strategic initiatives of the committee. The following key items were considered by the Committee in 2017:



The committee continues to focus on interactive and sustainable technology solutions and is committed to supporting our mandate to achieve sustainable business growth while building resilience across the enterprise. With the increased use of technology, challenges relating to information security have also risen and with this, cyber-security continues to be a key focus area. During the year, the committee organised a full board training on cyber-security and developed a road map towards cyber-resilience.

“We will continue to provide interactive and sustainable technology solutions to our stakeholders.” **David Hutchison**



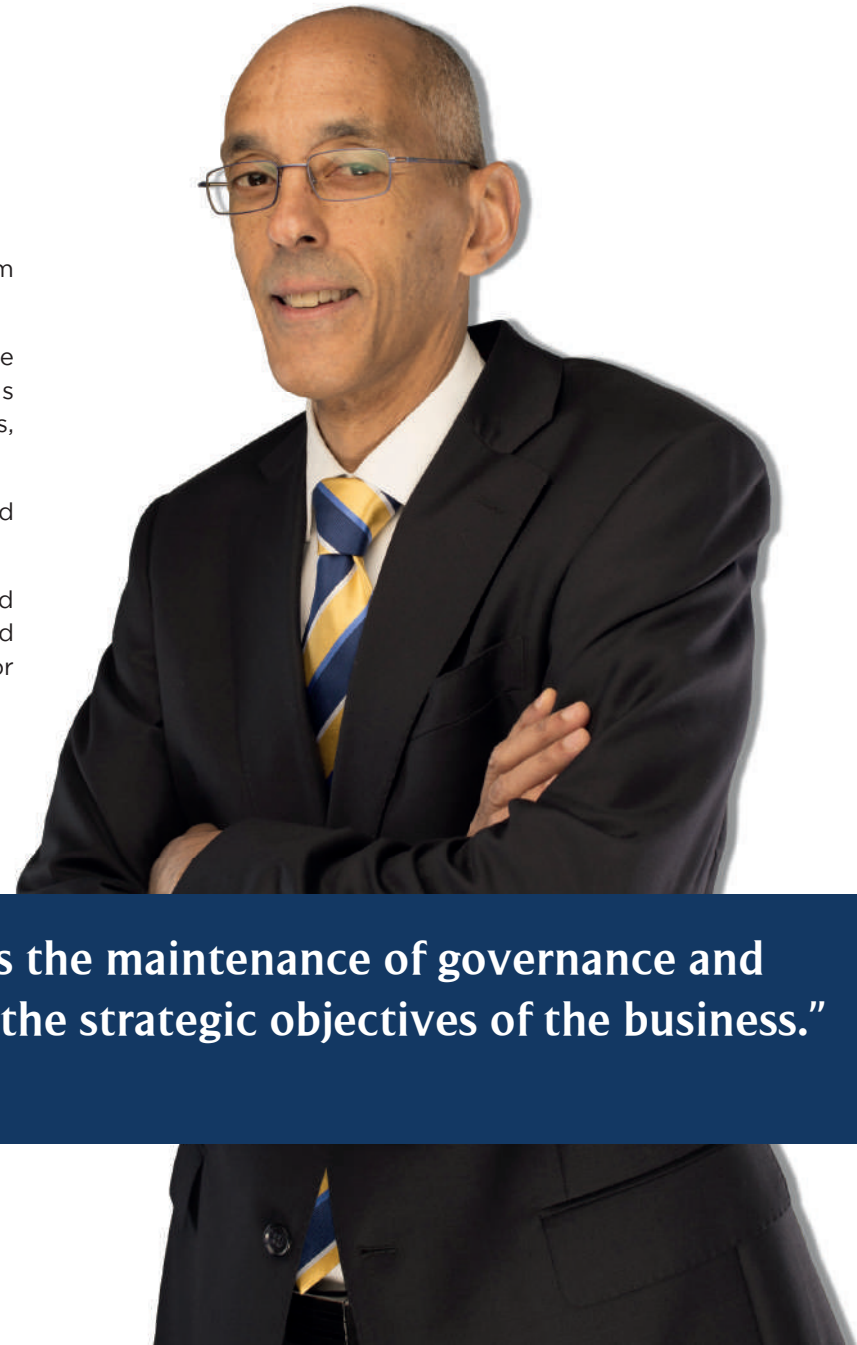
Board Remuneration & *Nomination Committee* Statement

As the Chair of the Board Remuneration and Nomination Committee, I am pleased to report on the activities of the committee for 2017.

This committee considers and makes recommendations regarding the appointment of potential external independent non-executive 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, remuneration framework for directors, among others.



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

James Ndegwa

The committee meets at least twice a year or more frequently as required and is responsible to the Board. In 2017, the committee executed the following key actions:

01	Considered and approved the staff performance appraisals and proposals for salary increments.
02	Considered and approved the 2016 Profit Share Proposals.
03	Reviewed the status of the company's succession plan.
04	Considered the report on the Board evaluation exercise.
05	Considered and adopted the Board Nomination and Selection Policy which covered the Board nomination and selection process.
06	Considered and endorsed Flexi-time policy proposals from management.
07	Considered and noted the status report on the job evaluation and salary survey project.
08	Considered and noted the Company's 2016 inaugural sustainability report.
09	Considered and approved the Company's internal suitability assessment policy.
10	Considered and approved the Board Induction Handbook, primarily intended for new appointees to the Board, as a guide on the Board's operating and governance structure along with the procedural matters for effective meetings.
11	Considered and approved the report on the Board skills gap analysis with regard to the composition of the Board.

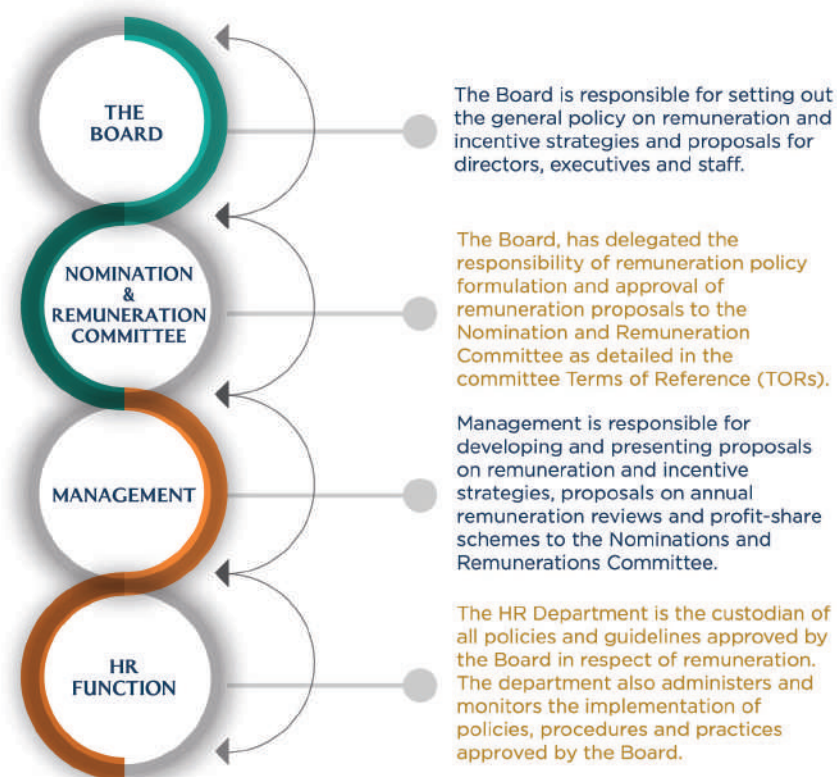
REMUNERATION PHILOSOPHY

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:



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 5 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 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".

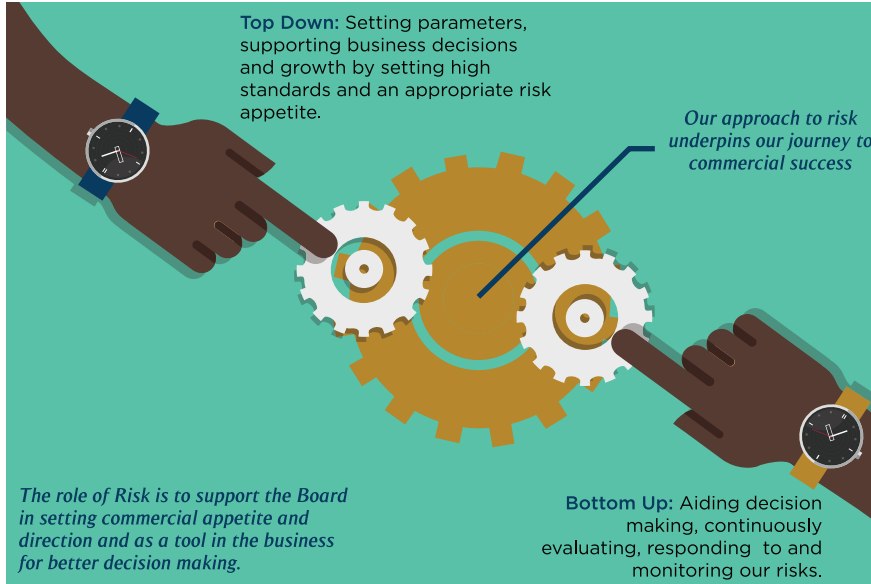
TURNING RISK INTO SUSTAINABLE VALUE

We have put in place a strong integrated risk management process 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.

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, which is in the final stages of implementation brings with it enhanced efficiency in the risk management, controls and compliance monitoring process.

RISK GOVERNANCE MODEL

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



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 218 to 219.

RISK HIGHLIGHTS

As is the nature of the industry, the Group noted an increase in attempted frauds. In light of this, a more elaborate fraud risk management framework with special emphasis on the motor class has been put in place.

Of note is the adoption of International Financial Reporting Standard No. 9, Financial Instruments, (IFRS 9) which is expected to result in a higher level of impairment provisions in the 2018 accounting periods. The Group has however put in place tighter credit control measures in a bid to mitigate against this risk. 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

The risk that the cost of contractual claims may be higher than that assumed in the premium basis.

MITIGATION CONTROLS

Adequate reinsurance is in place for all classes of business. There is also compliance with the underwriting and claims processes and procedures, which includes risk surveys, use of loss assessors, among others.



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.



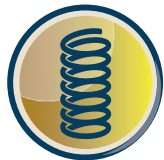
Credit Risk

DESCRIPTION

Risk of loss associated with the default of a counterparty. This includes failures by the counterparty to carry out its obligations in a timely manner.

MITIGATION CONTROLS

Credit control policy which provides guidance on procedures and processes relating to debtors' management and provides a level of uniformity in the manner in which credit and debt management tasks are executed.



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.



Market Risk

DESCRIPTION

The risk of loss due to factors associated with the financial markets (interest rates, inflation rates, credit spreads, etc.)

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.



Strategic Risk

DESCRIPTION

The risk that strategic outcomes may differ adversely to expectations.

MITIGATION CONTROLS

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



Investment Risk

DESCRIPTION

Risk of loss due to investment performance falling short of the benchmarks/expectations..

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.



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.



Reputation Risk

DESCRIPTION

The risk of damage to the Group's image which may impair our ability to retain and generate 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.



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 FOR 2018

In light of continuous improvement, the following will be the key focus areas in the year 2018.

- Identifying further key risk indicators for business areas within the Group. The focus will be on risk and compliance self-assessments across departments and subsidiaries.
- Inclusion of environmental and social risk parameters in the risk management framework and processes.
- Improved data governance processes to mitigate against data privacy and related compliance risks.
- Enhanced business continuity processes to mitigate against continuity risks through ISO 22301 certification.
- Further enhancing the risk culture through continuous risk training.

Risks & Opportunities

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
<p>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.</p> <p>The most significant of these are :</p> <ul style="list-style-type: none"> • Introduction of Risk Based Capital. • IFRS 9 (on financial instruments). <p>Other regulations that came into effect in the recent past include:</p> <ul style="list-style-type: none"> • The Bribery Act 2016 which requires institutions to put in place formal measures to mitigate against bribery and corruption risks. 	<p>With a well-structured, formalized compliance program aimed at sharing knowledge, experience and best practices, we follow local and international guidelines and standards, internal regulations and codes of professional ethics.</p> <p>Through this program, we closely monitor evolution of the regulatory environment and work closely with regulators and peer institutions.</p> <p>We have implemented and complied with the requirements of risk based capital and have been engaged in the Quantitative Impact Study led by the Association of Kenya Insurers.</p> <p>We monitor developments in international accounting standards and have carried out an impact assessment and training on IFRS 9 and IFRS 17. We have prepared adequately for these new standards.</p> <p>We are working towards raising our data protection and information security standards to comply with global regulations.</p>

Regulatory Evolution
(Risk Identified: Strategic Risk & Operational Risk)

- The Banking Amendment Act 2016 which introduced the capping on interest rates.
- The Human Resource Management Professional Regulations that require all HR practitioners to be licensed.
- The Companies Act 2015 which has far reaching implications on the registration and administration of companies.
- The IRA has also introduced new regulations including Bancassurance regulations, Insurance Group Wide Supervision regulations, micro insurance and Takaful regulations all of which provide new opportunities in the insurance sector.

Global regulations include:

- The development of a common framework by the Insurance Association of Insurance Supervisors (IAIS) on the development of standard qualitative and quantitative capital requirements. The IRA being a member of the IAIS is bound by this frameworks and will in turn ensure it is adopted by its regulated entities.
- The EU Directive on personal data protection as well as the Foreign Account Tax Compliance Act (FATCA).

Technological Evolution
(Risks Identified: Strategic Risk & Operational Risk)

We recognize the profound impact disruptive technologies have had on our business in the last decade and likelihood for more disruption in the years to come.

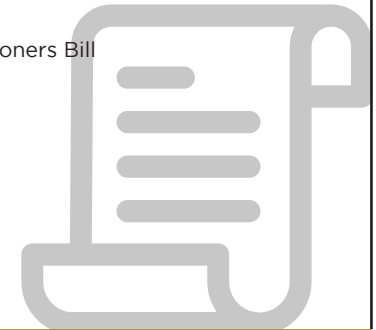
These include the Internet of Things, the growth of mobile technology, adoption of cloud services, among others. Availability of customer data, combined with technological capabilities of processing data quickly provides new opportunities in terms of customer segmentation and pricing. New technology 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.



Our Risk Management

We are monitoring the progression of the following proposed regulations.

- The Employment Amendment Bill
- The Health Bill
- Kenya deposit insurance draft regulations
- VAT amendment Bill
- Information Communication Technology Practitioners Bill



Our Risk Management

As uncertainty is mounting for the industry. We need to quickly make strategic choices in order to succeed with consumers vs 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 cyber security 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. In the coming years, we intend to seek ISO 31000 certification as we continuously improve our continuity processes.

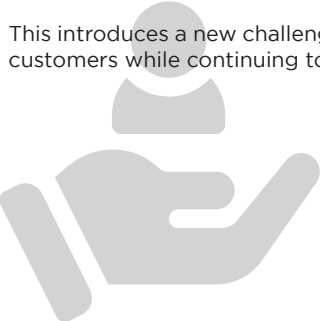
Changing Customer Preferences (Risks Identified: Strategic Risk & Insurance Risk)

In light of global trends of digitization 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.



Financial & Economic Landscape (Risks Identified: Strategic Risk, Credit & Insurance Risk)

Kenya's economy grew by 4.7% in 2017, its weakest performance in five years and compared to 5.8% in 2016. This was due to a series of events including drought early in the year that caused a drop in agricultural output and lower private sector credit growth. The implementation of interest rate capping introduced in the Banking (Amendment) Act 2016, further dampened the economic activities. Interest rates remained fairly stable during the year in line with Central Bank of Kenya (CBK) decision to hold its monetary policy rate constant at 10%. The exchange rate movement was fairly stable, while the also stable interest rates, reduced demand for imports, sustained inflows and strong currency reserve holdings by CBK supported the local currency. The uncertainty associated with the general elections and the consequent repeat of the presidential election undermined business confidence further encumbering economic growth. In spite of this, the Group was able to weather this environment.

GDP growth is projected as 5.8% in 2018 and 5.9% in 2019. 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 for the Group in the year 2018.

Our Risk Management

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 follows:

The Discerning Influencer as a Corporate Client

- Understands the value of quality, expects a commendable claims settlement record, values good corporate governance, looks to partner with professionals with technical expertise as well as one who delivers innovative solutions.
- This Client has the increasing ability to dictate where there business is placed.

The Discerning Influencer as a Retail Client

- Is 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.

Our Risk Management

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)

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.

Environmental Changes
(Risks Identified: Underwriting, Emerging & Operational Risk)

Extreme weather events for example floods and storms impact the economic and social systems as well as insurance needs.

The drought in the year 2017 led to crop failure and dying herds of livestock, leading to food insecurity for a large section of the country.

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.



Our Risk Management

With this changing demographic, increasing globalization 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 our marketing emphasis from providing "risk mitigation" to providing solutions.



Our Risk Management

We were in the year 2016, confirmed as a signatory to the United Nations Environmental Program Finance Initiative (UNEP FI) Principles of Sustainable Insurance (PSI). We are pleased to be the first insurer in East and Central Africa to join this elite network. By signing onto these Principles of Sustainable Insurance, we articulate to our clients and partners our stance towards responsible action.

We recognize the fact that collaboration with regulators and business partners and indeed building supportive industry clusters, is necessary to tackle big sustainability concerns including social and environmental protection, climate change and disaster resilience. Our adoption of these principles provides assurance to our stakeholders for whom sustainable business practices are core to their activities and value chain.

Management of social and environmental risk is critical to our strategies as we aim to identify, measure, mitigate and monitor these risks. We offer protection mechanisms through various solutions as we aim to protect the social and financial well-being of our customers in the midst of environmental changes. We recognise that promotion of clean and renewable energy solutions are critical in driving economic growth and promoting the well-being of rural and marginalised communities and will in the year 2018 develop our Environmental and Social Risk Management policy as we continuously improve our risk mitigation and solution development processes.



05

Our Value Creation

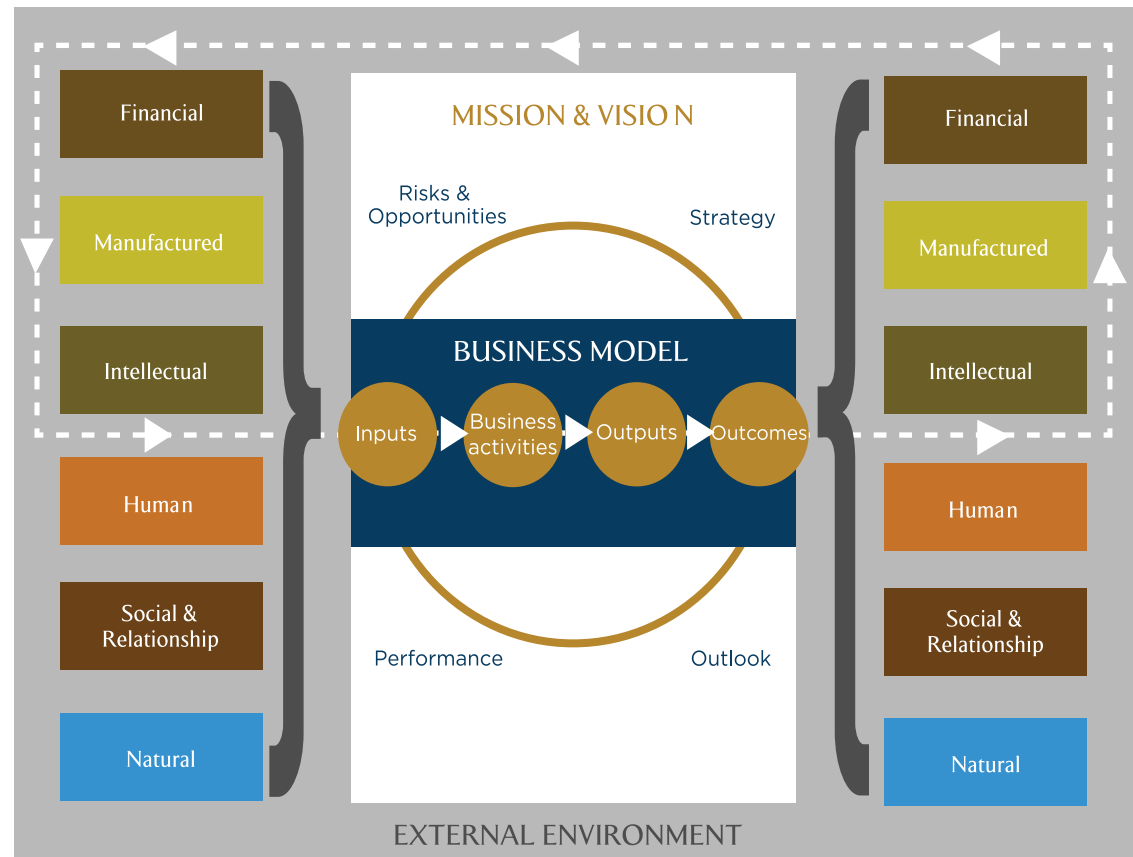
Our Approach: The 6 Capitals Model

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.

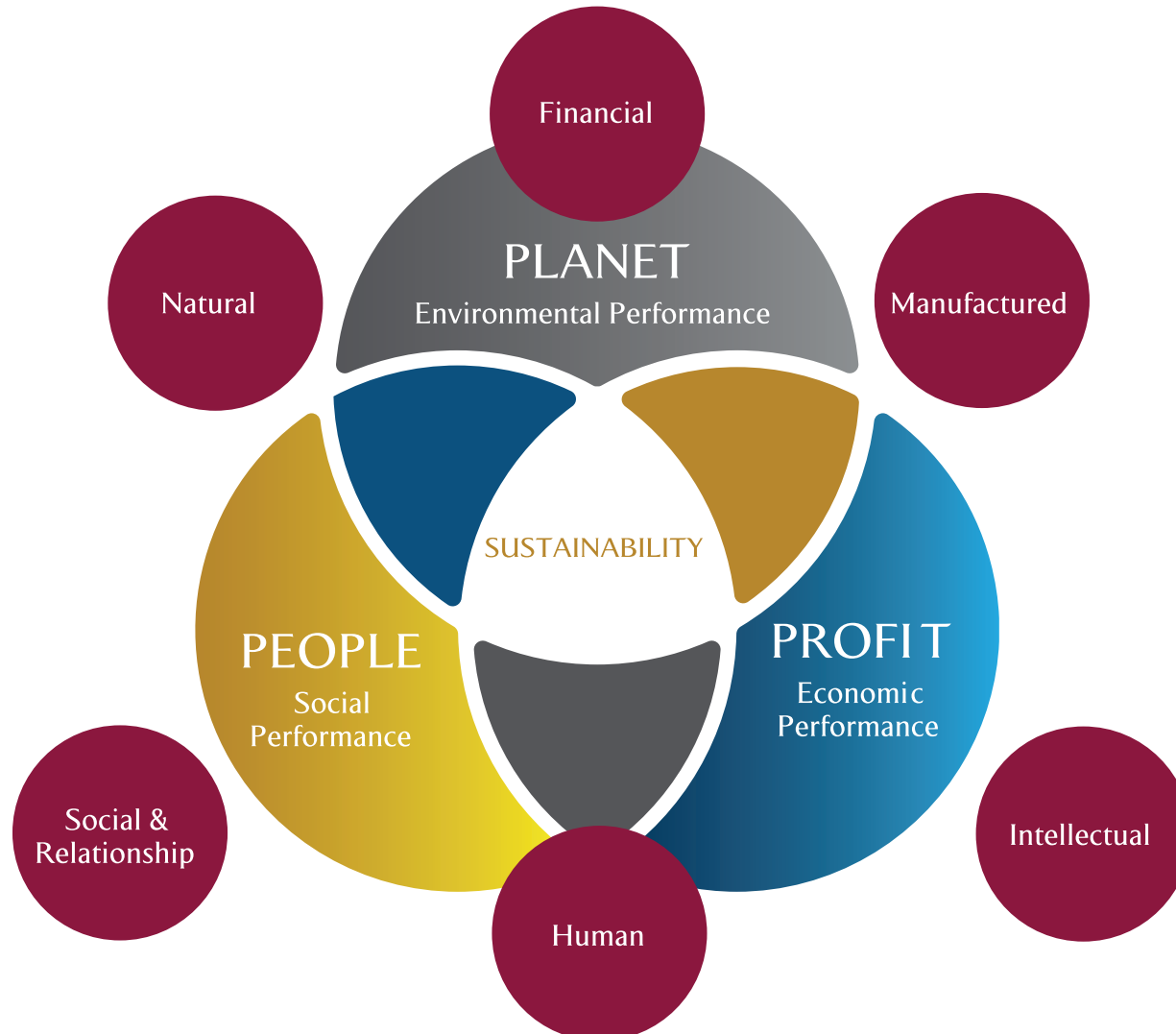


Value creation (preservation, diminution) over time



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 the year 2017. More recently, we have adopted the 6 Capitals Model approach on integrated reporting proposed by the IIRC. The diagram below shows how the 6 Capitals relate to the Triple Bottom Line approach that we have used in the past.





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, labor/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 organizational 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 utilize 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.



5. Our Social and Relationship Capital

These include 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.



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.



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.

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. HUMAN *Capital*

OUR PEOPLE ARE IMPORTANT TO US

Our people are vital to our success. Indeed, one of our 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. A testament to this drive to delight our employees is evidenced in the awards achieved by ICEA LION (see pages 14 and 218 to 219).

PERFORMANCE MEASUREMENT & GOAL SETTING

The performance management process at ICEA LION is based on the Balanced Scorecard (BSC) performance management model which is an elaborate process where corporate goals are cascaded down to the individual level. The business appreciates the importance of every employee having a clear understanding of expectations for their work. Employees also need context, which includes an understanding of where they fit into the company and how they contribute to the overall success of the organisation. This starts with corporate and executive goal setting, which cascades into manager, team, and individual goal setting. Aligning our entire workforce with higher arching business goals helps to set clear priorities and direction, which ensures that individuals are able to feel ownership in the business through individual targets.

The Company operates on a five year strategic plan which is translated into annual business strategic goals. In line with the reviewed corporate strategic plan, departments review their performance plans for the year and determine specific initiatives and targets to be implemented at functional and at individual level in order to achieve departmental and corporate strategies.

ENCOURAGING INNOVATION

Innovation is integral to our sustainability strategy. The Company has recently set up a fully-fledged unit: The Growth and Innovation Centre (GIC). This unit, headed by a specialised Senior Leadership Team, will be the focal point and incubation hub of Company innovations and places us firmly on the journey towards becoming an insight driven organisation.

A Growth & Innovation Board Committee (GIBC) is the Board's oversight and liaison committee on formulation and implementation of the Company's innovation agenda and related matters. It works through an ICEA LION management level innovation coordination committee, the ICEA LION Growth & Innovation Management Committee (GIMC).

INNOVATION AT STAFF LEVEL

Since 2015 we have had a staff innovation committee comprised of members drawn from different functions, with diverse skills and more recently, with a millennial mindset. The main purpose of this committee is to act as a catalyst in collection of innovative ideas from the staff and external stakeholders focussing on the following areas: products, processes and policy. This team is guided by an innovations policy and strategy. The committee is made up of two teams that is, the incubation team which is responsible for receiving ideas from employees and external sources, discussing and filtering them for relevance to the business. The evaluation team then refines these ideas for business alignment, whilst the product development team designs the solution. The marketing and communications team then develops and implements the go-to-market strategy.

The innovation team has in the past rolled out a digitised innovation platform; the ICEA LION Innovations Portal; which serves as a repository for ideas generated by staff. Several new ideas have been derived from this platform. The "Mulika Gharama" project which aimed to highlight where the company is leaking resources has helped reduce expenses and encouraged responsible consumption within ICEA LION.

ENGAGED EMPLOYEES

ICEA LION is cognizant of the fact that engaged and committed employees are at the core of our sustainability agenda. We are keen to continue improving to meet the constantly changing needs of the multiple age groups at ICEA LION; ranging from baby boomers to millennials; we have sought benchmark solutions from outside ICEA LION. We have participated in Deloitte's annual Best Company to Work For (BCTWF) Survey conducted by Deloitte South Africa. The survey assesses employees' perception and experience of the organisation's people practices.

Ten parameters are measured, including: leadership, operational effectiveness, inclusion, relationship's with managers and supervisors, fairness and equity, learning and development, values and culture, performance and recognition, remuneration and overall job satisfaction.

The results of this survey shows that our people are highly engaged and are proud to work for ICEA LION. The awards and accolades received by ICEA LION in the past few years in this regard are outlined in Appendix 1.

Other internal employee engagement surveys including a recently released Culture Survey have been administered and the results show that employees are highly engaged. To improve on employee engagement levels, ICEA LION has taken the following steps over the last three years:

Survey results are shared with employees in order for them to know that their voices have been heard and steps taken to close the gaps.

Managers and Supervisors have been sensitised as to the critical role they play in ensuring high employee engagement levels and its correlation to their individual relationships with employees.

Employee wellness programme has been revamped to include medical checks, counselling services that is also extended to family members.

Wellness/Fitness programmes have been deployed over lunch hour and afterhours to improve health and general wellbeing.

SUSTAINABLE WORK-LIFE BALANCE

Employee Wellness

Employees spend most of their waking hours at work. We depend on a healthy workforce, and we support our employees through a range of initiatives that create a productive and health-promoting workplace. Our workplaces are designed and maintained to reflect the ambience and ergonomics critical to superior employee productivity.

To achieve employee wellness, we have put in place an elaborate and comprehensive employee wellness programme to ensure a preventative rather than curative approach to the health of employees. We partner with employees to encourage individuals to take charge of their own health and wellbeing.

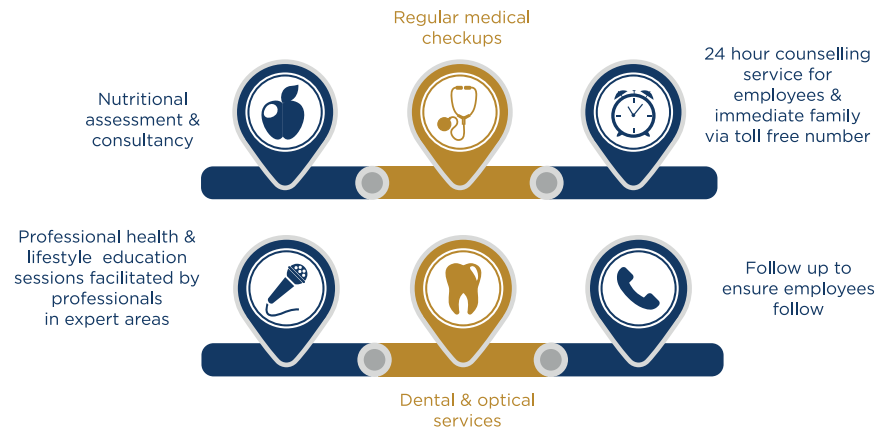
KEY ASPECTS ON EMPLOYEE ENGAGEMENT			
JOB SATISFACTION	MANAGER EMPLOYEE RELATIONS	INCLUSION	CAREER DEVELOPMENT
SCORE	SCORE	SCORE	SCORE
2014 - 4.09	2014 - 3.83	2014 - 3.89	2014 - 3.51
2015 - 4.45	2015 - 4.09	2015 - 4.00	2015 - 4.13
2016 - 4.42	2016 - 4.12	2016 - 3.91	2016 - 4.06

**A score of 3.7 out of 5 achieves the Deloitte Seal of Excellence which identified the company as having best practices in people management*

We give them the tools and information they need to understand their own health care needs. The programme's aim is to increase the number of employees and their families who are healthy at every stage of life.

Good health also comes from clean air and water, safe outdoor spaces for physical activity, safe worksites, healthy foods, violence-free environments and healthy homes.

Our approach to employee wellness incorporates the following:



Other initiatives include:

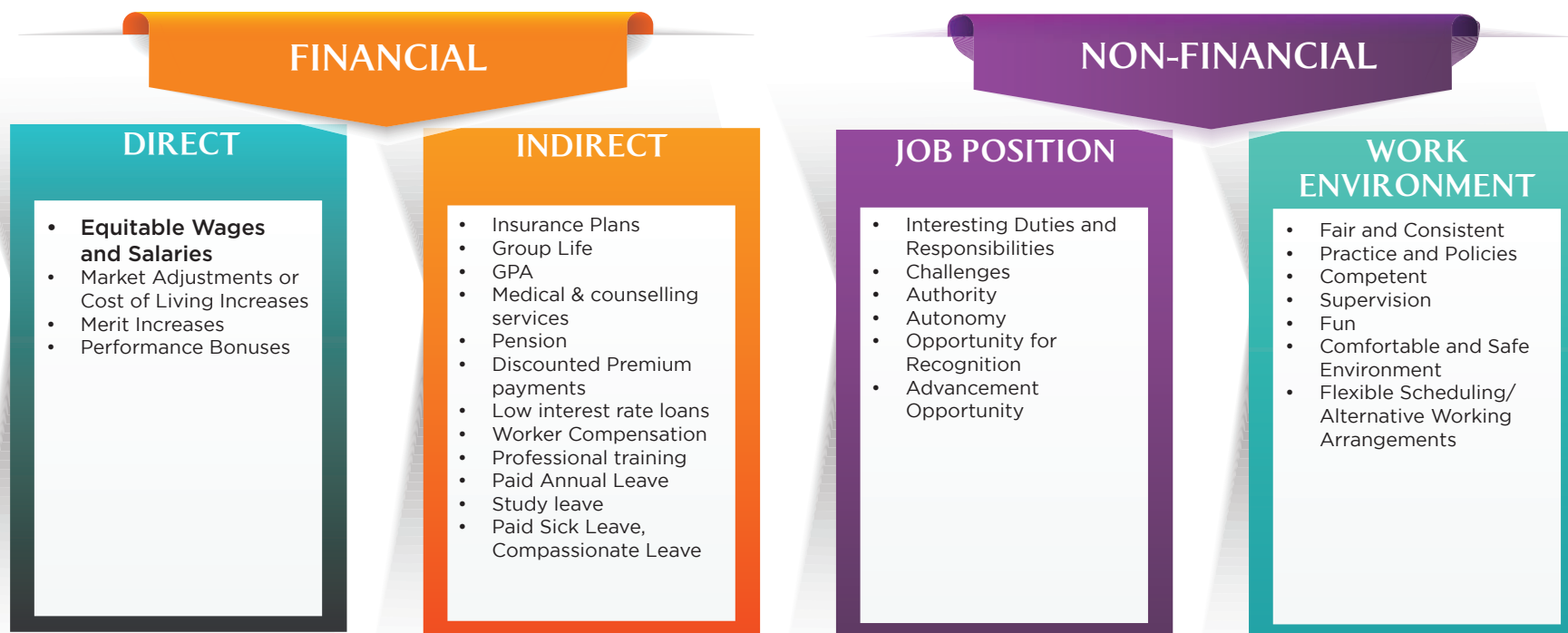
- **Sport**, to enhance and sustain the wellness programme, the business has undertaken the following:
 - The Company has developed a modern gym facility for use by ICEA LION staff. The facility is free and supervised by a qualified gym instructor. Staff are encouraged to use the facilities during morning hours, lunch breaks and evenings. Plans are underway to have the facilities open during weekends and public holidays.
 - Various indoor games such as darts and table tennis are available during lunch hours and in the evenings.
 - Annual Family Fun day that incorporates sports activities
 - Participation in industry events such as the AKI football and volleyball tournaments that culminate in the annual AKI Sports Day. ICEA LION was ranked second overall in 2016.
 - Participation in industry events such as the IIK Quiz Tournament. ICEA LION were crowned the overall winners in 2017.
- **Nursing Mothers Room**, in a bid to support breastfeeding mothers, a nursing room has been allocated to allow new mothers to express milk for their babies.

FAIR & TRANSPARENT REWARD

Our compensation mechanism focuses on total reward; where people and performance matter. We provide a transparent, fair and integrated offering to attract, motivate and retain highly qualified employees.

The reward package not only includes salaries, but the direct and indirect rewards and benefits employees are provided with in return for their contribution to the Company goals.

The compensation and benefits programme comprise of both financial and non-financial as illustrated below:



To ensure that we are giving competitive salaries for all positions and that our benefits are also competitive, we participate in salary and benefits surveys. As a result:

- Employee salaries were benchmarked to the market as per the latest PWC salary survey.
- Employees enjoy a host of benefits that are among the most competitive in the market.
- ICEA LION has a robust award-winning employee training and development programme.
- Our office environment is state of the art, the ambience, décor, ergonomics and general environment is a morale booster. The office walls are enhanced with images that ignite a feeling of pride and belonging; these walls are used for strategic internal messaging.

- ICEA LION organises sports and team building events for team integration and collective inspiration throughout the year.
- Recognition for employees who demonstrate exemplary performance.

JOB EVALUATION & SALARY SURVEY

In 2017, we began the process of conducting a job evaluation and salary survey exercise for the Company. The focus of the project is to create an equitable compensation system through an appropriate job classification in order to establish an orderly, rational, systematic structure of jobs based on their worth to the organisation as well as establish the Company's compensation level relative to the market. Now in its final stages of completion, the recommendations from the exercise are to be implemented with effect from January 2019.

COMPETENCY IN FOCUS

The performance management process at ICEA LION is based on the BSC performance management model. The corporate strategy is cascaded down to individual level through the Balanced Scorecard system where strategies and targets at corporate level are broken down into specific and measurable activities for individual employees. We have over the past two years improved the balanced score card processes in a bid to further align them to corporate goals and objectives. A multi-rater feedback tool that allows for 360 degree evaluation reviews by supervisors, peers and subordinates had been deployed and further serves to improve the performance appraisal processes. The BSC score counts for 80% of the total score and the 360 degree evaluation reviews for 20%.

A LEARNING ORGANISATION

ICEA LION provides opportunities for staff to develop and grow themselves. A robust in-house process of upskilling employees technically is in place and has largely contributed to our people being recognised for their high level professionalism and technical expertise. ICEA LION pursues various approaches to deliver training and development, including in-house training, e-learning platform training, mentoring, coaching, local and overseas technical and leadership training, paid membership in professional organisations, and an in-house Company library.

Some of key milestones achieved in the area of staff training and development over the last three years include:



ICEA LION Academy: The need to establish the ICEA LION academy was informed by the need to utilize internal capacity and expertise to upskill others employees. The purpose of the academy is to address both technical and personal skills development training. The approach to staff development and growth under the academy is as follows:

- Up skill employees technically through attachments: A number of employees from Uganda and Tanzania have been attached to various departments within ICEA LION Kenya, in particular, Underwriting, Claims, Finance, ICT, HR, and Sales.
- Build the capacity of the branches and the subsidiaries: our ICT team in Kenya has spent time within our subsidiaries in a bid to transfer skills and knowledge on our core systems. Over the past year, the HR team has carried out performance management and Balance Scorecard training across the East African units.
- Make a contribution towards career progression. A number of employees have been seconded to Uganda and Tanzania as part of their own personal development processes.



Number of employees who have been trained overseas:

In the last three years a total of 14 employees have been sponsored to undergo overseas training. The countries where staff have been sponsored to train in include Canada, Sweden, South Africa, Germany among others.



Number of in-house training programmes:

In the last few years a number of in-house training sessions have been conducted. The learning penetration rate is shown in the table at the end of this section.



E-Learning Café:

Our e-learning platform available to all staff enables staff to access the portal from anywhere and on any device. The modules range from customer experience, to business etiquette to developing emotional intelligence. The team are also required to undertake some mandatory courses in line with the departmental strategy and this is included in their Balanced Scorecards.

SENIOR MANAGEMENT DEVELOPMENT & GROWTH

To develop strategic leadership skills for managers, all senior staff were enrolled for a mandatory one year management programme. This was in recognition of the fact that the success, execution and translation of the corporate strategy developed to drive the business; would be determined by the extent to which the leadership cadre is equipped with the pertinent skills.

The training was to equip senior managers with the advanced decision-making, and execution skills they need to excel as multifaceted leaders. The focus of the programme therefore was to up-skill managers in leadership, ability to motivate, customer service, goal setting and planning, leading change, and coaching and mentoring, among other skill areas.

MIDDLE MANAGEMENT DEVELOPMENT & GROWTH

All managers were trained for a one-year mandatory programme on leadership and performance. This training which was in a bid to set the foundation for developing exemplary leadership and creating a performance oriented environment for this level of management. Continuous development for middle management is through sponsorship to facilitated sessions and learning through the e-learning platform.

Specific approaches towards employee development and growth included: on-the-job training, formal training, short-term courses, professional examinations, E-learning, further education and private education.

RETAINING TALENT & SUCCESSION PLANNING

- **Talent Management:** At ICEA LION, talent management involves acquiring, hiring and retaining talented employees. To drive optimal levels of success, we need engaged, high-performing employees. A key strategic focus the Human Resources team is to facilitate the growth of the workforce to greatness by aligning talent management with company strategy, defining consistent leadership criteria across all functional areas, and identifying specific competencies (analytical, technical, education, experience) to cultivate for continuing growth.
- **Succession Planning:** A change in executive leadership is inevitable for all organisations and can be a very challenging time. Therefore, it is the policy of ICEA LION to plan appropriate actions in case a person acknowledged as a key person or who currently occupies a critical position in the Company is no longer available to the business. This will ensure stability and accountability of the Company. A board-approved succession plan in which critical roles, potential successors, current skills and competency gaps is in place.
- **Mentorship programmes:** To empower staff to take ownership of their roles and the business, a coaching and mentoring culture is imperative. Coaching allows managers to adopt a more facilitative style in their management, helping their staff to solve their own problems and take responsibility for results. The business has put in place a structured coaching and mentorship programme in 2017.

TRAINING SUPPORT

We believe in developing our people and rewarding those who work hard and invest their time and energy in contributing to ICEA LION's success.

Professional courses are fully funded and comprise of the following:

- 1 Tuition fees at an approved college or for an approved correspondence course
- 2 Examination fees
- 3 Registration/Entry fees for student membership of approved professional bodies
- 4 Examination exemption charges
- 5 Registration fees for full membership & cost of set text books

As part of support and motivation, staff who pass professional papers are given a token amount for each paper passed. Once they qualify, the success is celebrated with their colleagues within their departments.

Monetary rewards are also extended to others pursuing academic courses such as degrees, diplomas and certificates upon completion/graduation.

WELCOMING NEW MEMBERS TO THE ICEA LION FAMILY

Employees are introduced into this fulfilling relationship on the day they join the family. An elaborate onboarding process ensures that all newly joining staff get to navigate through and understand their new environment as fully and as quickly as possible. Our on-the-job training and mentorship programmes are focused on assisting new employees to settle down and commence the value adding process expeditiously. We aim at providing both a supportive and welcoming environment to all its new members of staff with a goal of making it easy for them to be assimilated into ICEA LION's unique culture.

ROTATION/SECONDMENT PRACTICES

We provide employees with opportunities for job enrichment, career development and recognise that job rotation provides opportunities that broaden an employee's knowledge and understanding of a work unit and its processes. It also provides an opportunity for the business to place employees where their strength lie, ensuring employees within the department are able to work in any sections within the department in line with the Company strategic objective of One Stop Shop for customers. In this regard, we provide employees with the opportunity to participate in job rotation. Job rotation involves moving employees through one or more positions outside of their functional units with a view to helping them to gain exposure to the full scope of an activity. The rotation of employees through one or more positions occurs from time to time subject to the operational requirements.

SHAPING A DIVERSE, INCLUSIVE WORKFORCE

Diversity and inclusion are strategic to our business. A workforce with a broad range of backgrounds, perspectives and experiences drives innovation and makes the business more resilient. It is a key success factor in an increasingly global, multi-faceted and competitive market. Diversity for us extends beyond gender, race, religion, ethnicity, disability, marital status and age to include other aspects like experience and family situations that individuals bring to the workplace.

Inclusion for us, is about treasuring diversity and building a community of engaged employees. Consistent with our Code of Conduct, we have a zero-tolerance policy for discrimination and harassment in the workplace. The innovation team has been revamped by bringing on board a more multifaceted and millennial-oriented team to the committee. This team represents the interests of our younger employees.

INTEGRATED INCLUSIVE CULTURE ACROSS THE COMPANY

At ICEA LION, employees enjoy a familial and enabling social environment where all employees feel the warmth, friendship and heartfelt support of colleagues. Well-structured and fun filled team building events are held regularly to motivate employees to take on new challenges, think outside of their normal routine. This has increasingly helped to break barriers and ignite creativity. The camaraderie experienced in the ICEA LION workplace, within an atmosphere that is uniquely cordial has been praised by employees, past and present.

The process of developing strategic plans at corporate and departmental level involves staff at all levels through focus group sessions in a bottom-up approach meant to ensure that staff are consulted about matters that affect them. Upon conclusion and approval of strategic plans, an elaborate cascading process is embarked upon to enhance staff appreciation of strategic goals at Company and departmental level.

BRINGING PEOPLE TOGETHER

The ICEA LION team provides forums through which staff participates in Corporate Social Responsibility events sponsored by the Company. The Corporate Social Responsibility listing provided in the Appendices outlines the various initiatives the company has supported since 2013. These involve the Insurance Regulatory Authority (IRA) Annual Cerebral Palsy Walk, The Association of Kenya Insurers (AKI) Annual Medical Camps, the Insurance Institute of Kenya Annual Golf Charity Tournament, the Nairobi Hospital Annual Children's Heart Fund Charity Golf Tournament, the Kenya Diabetes Management Walk and many others. Closer to home, the ICEA LION family joined their neighbours, the Consolata Catholic Church to clean up a low income dwelling area known as the Deep Sea Slum.

This is in addition to numerous other engagements in this regard. There are also adhoc requests that come through from our Clients and Business Partners which are considered and adopted as required. Between 2015 and 2017, the ICEA LION team put in approximately 1805 hours of community service. The ICEA LION Family Fun Day is hosted annually. During the event, family members of employees interact with other employees and their families in an event full of fun and enjoyment. The function plays a major role in our efforts to break barriers across various divides, as well as engage with the wider ICEA LION family who we don't interact with in the office.

Client engagements are hosted as required either on site or at various hotels across the country. ICEA LION has hosted several Client engagements over the years to interact with Clients outside the office environment. This takes many forms including cocktails, golf events, luncheons, breakfasts and so on. These take place countrywide in each town where we have a branch. Over the past four years, we have participated in several events and activities highlighting diversity and inclusion. We have in the past co-sponsored the "Women on Boards Network (WOBN)" events. WOBN is a body that is supporting the advancement of women in senior leadership positions.



Staff participate in pop quizzes for prizes at the End Year party



Staff & family members make the 100 metre dash at the Family Fun Day



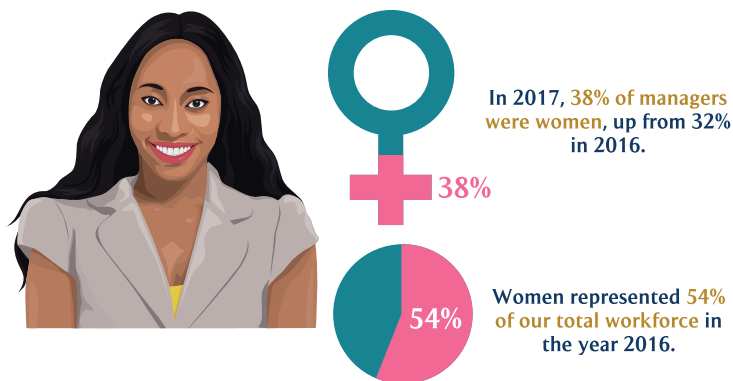
Our CEO presents our team member with an award at the End Year party



One of the teams gear up for a race at the Family Fun Day

WOMEN IN MANAGEMENT

We have over the years increased the number of women in management positions and taken appropriate steps to support future female leaders. We strive to continuously improve the working environment to enable us build on the number of women in talent pools. Our statistics are as below:



FLEXI TIME POLICY

We have introduced flexible working arrangements through a flexi-time policy that was Board approved in the year 2017. The flexi-policy allows staff to determine when they will work. Advantages include allowing employees to coordinate their work hours with public transport schedules, with the schedules of their school going children, and with daily traffic patterns to avoid high congestion times such as rush hour.

MAKING A DIFFERENCE THROUGH OUR EMPLOYEE VOLUNTEER PROGRAMME

Our employee volunteer programme provides a way for our people to be change makers in society, within their local communities and globally. Employees are provided with opportunities to volunteer their time and skills to make a positive contribution to society. It complements local volunteer activities that have taken place over many years. Some employees are mentoring university students through programmes such as AIESEC.

Other employees sit in industry round tables and contribute towards the development of emerging general insurance matters. This includes the marine committee, claims committee, anti-money laundering, risk management, ICT, marketing and so on.

As outlined above, between 2015 and 2017, about 180 staff have engaged in corporate social responsibility engagement events. This has culminated in approximately 1805 hours of community support.

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.

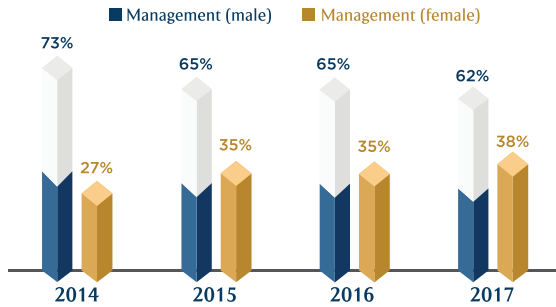
To avoid incidents and prevent work-related hazards, we apply a risk-based approach that is based on transparency and inclusiveness. We have over the past year made progress towards our target; to increase frequency and quality of incident reporting and handling, and to increase knowledge and awareness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

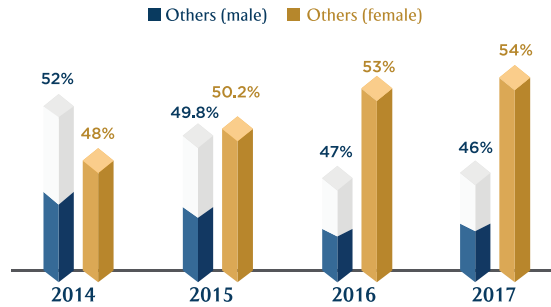
There were no fatalities reported in the year 2017. As part of our inclusive approach, we also address and report on agents and contractors.

Human Resource *Data*

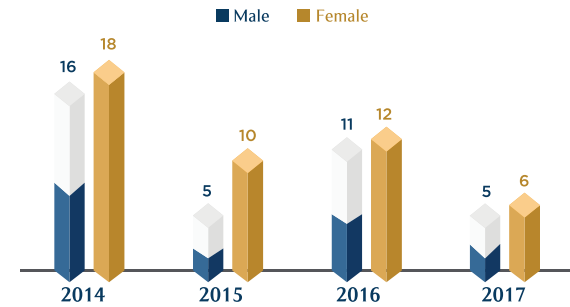
Management Staff Gender Balance (%)



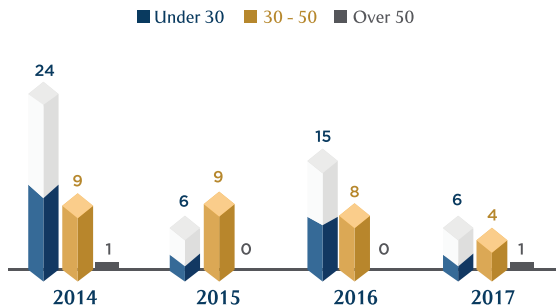
Other Staff Gender Balance (%)



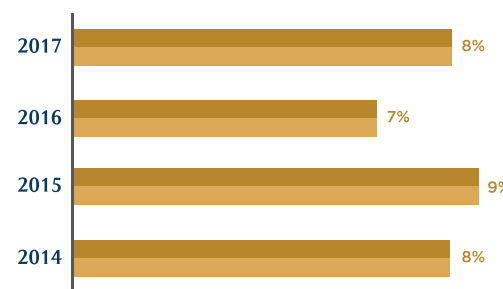
New Hires



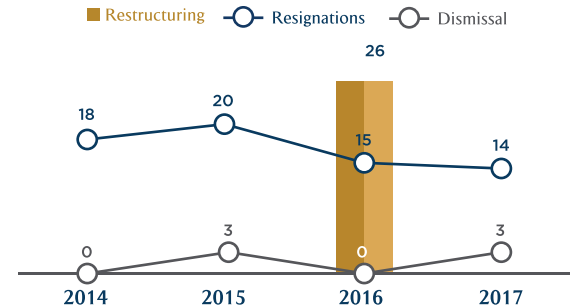
New Hires by Age



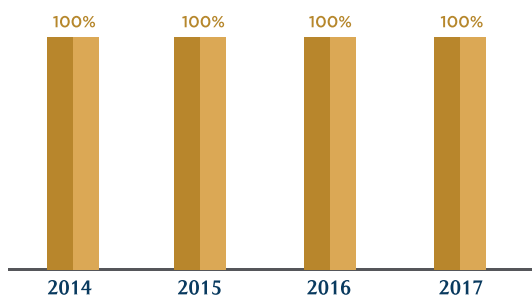
Staff Attrition Rate



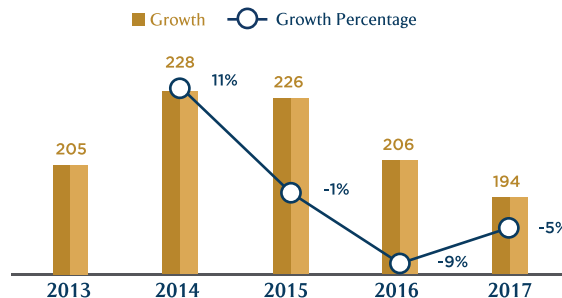
Staff Separation



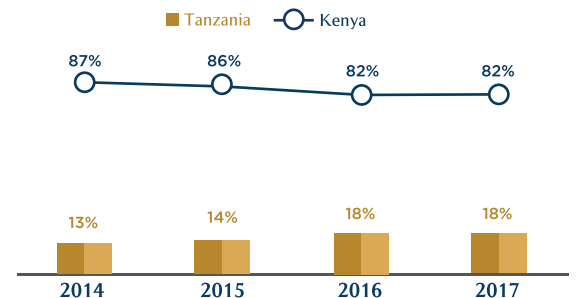
Retention Rate for Best Performing Staff



Total Headcount

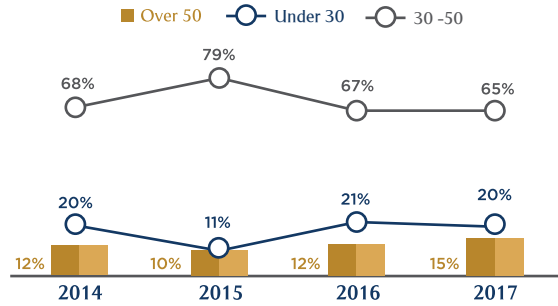


Regional Split of Headcount (%)

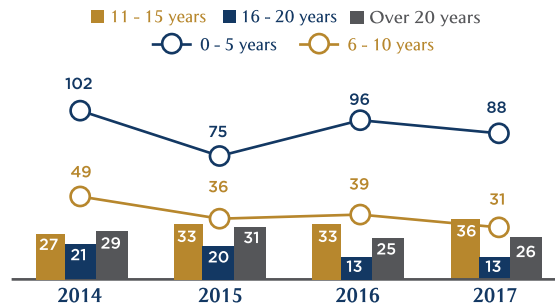


Human Resource *Data (continued)*

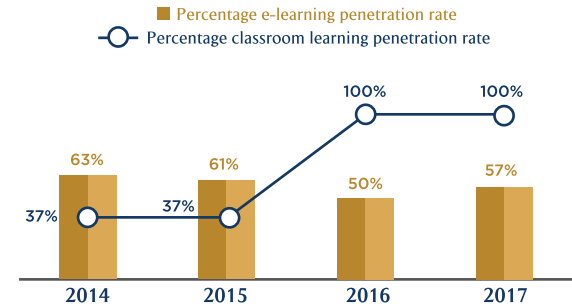
Headcount by Age Group (%)



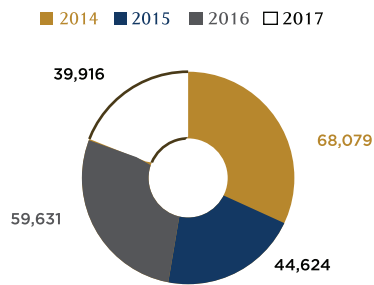
Employee Years of Service



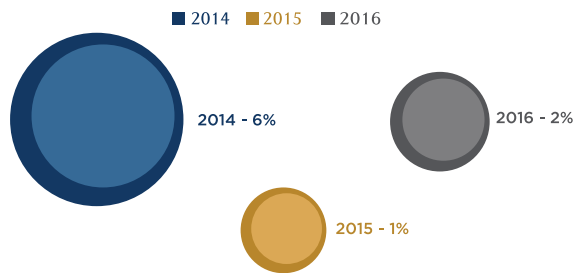
Employee Learning & Development



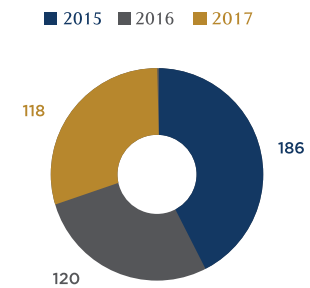
Learning Costs per Employee (KShs)



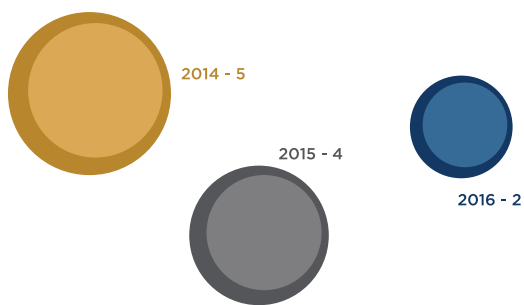
Commitment & Patronage



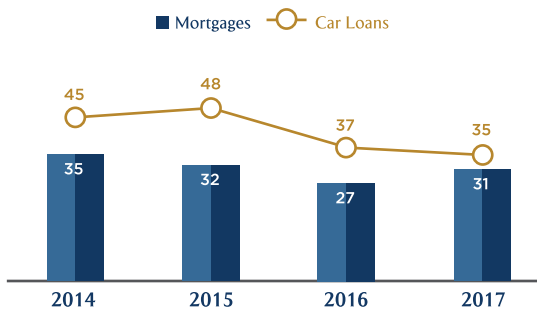
Wellness Program



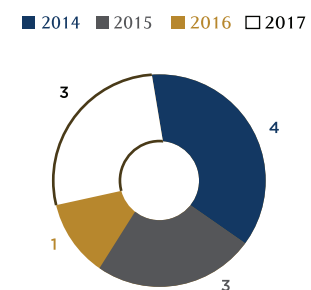
Staff Surveys



Staff Benefits



Exchange Programs



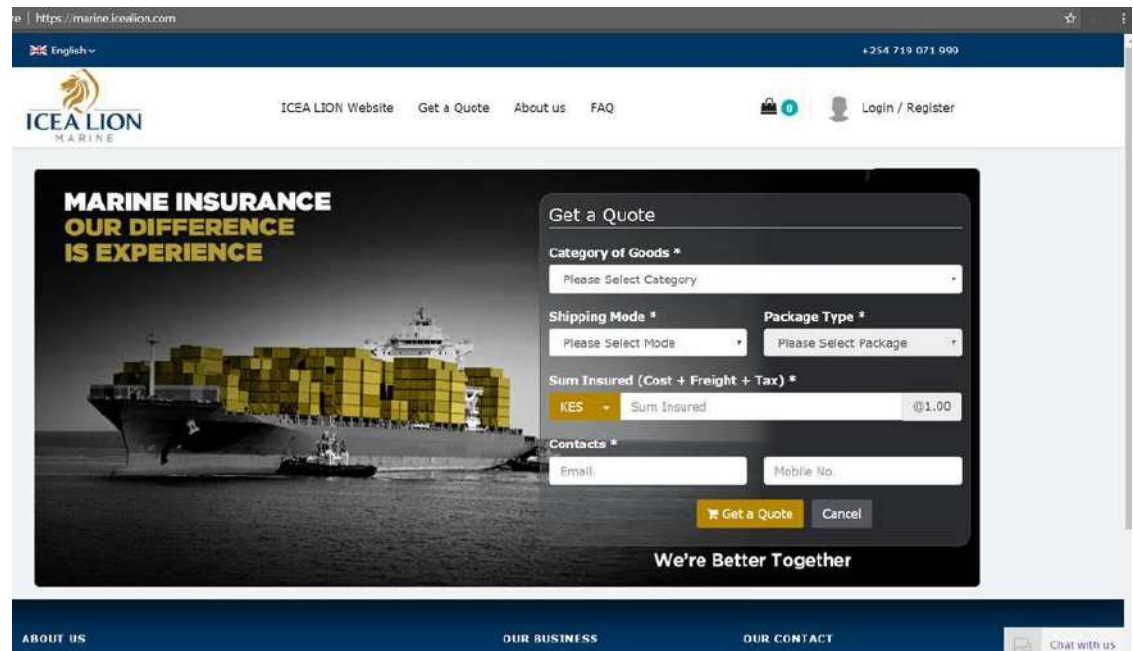
2. INTELLECTUAL *Capital*

OUR PRODUCT SOLUTIONS

Marine Insurance is at the Core of our Heritage

Marine insurance is at the core of ICEA LION General Insurance's heritage. Our roots date back to 1895 when Smith Mackenzie & Company were appointed local Lloyd's agents in Mombasa. Soon thereafter, this office was taken over by Guardian Assurance as its local branch. Essentially this branch was purely a marine claims office as exports from the hinterland were negligible.

In the 1950's we operated as Joint Marine Office where ICEA LION's predecessors Guardian Royal Exchange and Commercial Groups in East Africa comprised the majority. With the introduction of the incorporation act in 1978 Joint Marine Office was absorbed as the marine department of Lion of Kenya. Lion of Kenya was later renamed ICEA LION General Insurance in 2012 following the business reorganisation with ICEA. As a result, we have a heritage of over 120 years' extensive knowledge of the marine insurance industry that we are pleased to call our intellectual capital.



The screenshot displays the ICEA LION Marine website interface. At the top, there is a navigation bar with the company logo, contact information (+254 719 071 999), and links for 'ICEA LION Website', 'Get a Quote', 'About us', and 'FAQ'. A 'Login / Register' button is also present. The main content area features a large banner with the text 'MARINE INSURANCE OUR DIFFERENCE IS EXPERIENCE' and an image of a cargo ship. Overlaid on this banner is a 'Get a Quote' form with the following fields:

- Category of Goods ***: Please Select Category
- Shipping Mode ***: Please Select Mode
- Package Type ***: Please Select Package
- Sum Insured (Cost + Freight + Tax) ***: KES - Sum Insured @1.00
- Contacts ***: Email, Mobile No.

At the bottom of the form are 'Get a Quote' and 'Cancel' buttons. The slogan 'We're Better Together' is displayed below the form. The footer contains links for 'ABOUT US', 'OUR BUSINESS', 'OUR CONTACT', and a 'Chat with us' button.

The Cabinet Secretary for the National Treasury, Mr. Henry Rotich, in his budget speech on 8 June, 2016, directed KRA to work with relevant stakeholders to implement Section 20 of the Insurance Act. The directive required that with effect from 1 January, 2017 all imports to Kenya would have to be insured by locally registered insurance companies. This was a critical step towards improving the socio-economic position of Kenya as the majority of marine insurance was placed with non- Kenyan underwriters.

Leveraging on its rich heritage in this regard, we not only hosted a breakfast for our Clients and other stakeholders to enlighten them on the impact of this new development on marine insurance business in Kenya, but also ran campaigns in the press to demystify marine insurance. Further to that, in order to increase the uptake of the marine insurance product and anticipate the demand for the product within the retail space, we developed a portal to suit our specific requirements. Indeed, the results were positive with 23% growth in premium in 2017. This portal can be accessed via www.marine.icealion.com.



Expert Insurer ICEA LION Demystifies Marine Insurance

In his budget speech on June 8, 2016, Cabinet Secretary for the National Treasury, Mr Henry Rotich, directed the Kenya Revenue Authority (KRA) to work with relevant stakeholders to implement Section 20 of the Insurance Act. The directive required that with effect from January 1, 2017 all imports to Kenya would have to be insured by locally registered insurance companies. EVANS ONGWAE interviewed ICEA LION's Peter Mukuria on the impact of this new development on marine insurance business in Kenya.



Peter Mukuria - Asst. General Manager – Business Development, ICEA LION General Insurance.

Q. Is this a new regulation or law?

Peter: No. Section 20 of the Insurance Act stipulates that all Kenyan interests must be insured with Kenyan insurance companies. This had not been enforced, especially on marine, due to the fact that the numerous government agencies required for proper implementation had to work in tandem. The Cabinet Secretary said this had denied insurance companies registered in Kenya huge business that could substantially benefit the industry and the economy as well. He added that this would also be beneficial to Kenyan importers, who, under the current practice, have limited recourse if anything happens to their imports before they arrive in the country.

Q. How will this be implemented?

Peter: When the CS read the budget on June 8th 2016, he directed KRA and related agencies – the Insurance Regulatory Authority (IRA), Kenya International Freight and Warehousing Association (KIFWA), Association of Kenya Insurers (AKI), the Ministry of Transport and the Intergovernmental Standing Committee on Shipping (ISCOS) – to work together to ensure that from January 1, 2017, they have developed an online portal where importers could purchase marine insurance and link to the various government bodies. This is being aggregated by KenTrade through their single-view portal or window.

Q. So this is more than just an insurance sector development?

Peter: Yes, indeed! This initiative is larger than insurance. The spirit behind it is to curb the entry of counterfeit/sub-standard products, drugs, weapons and all other contraband coming through our ports. Without a coherent network, it is impossible to regulate the sector. This is a broad based public policy that's very good for the country and brings numerous advantages to the economy. It is actually genius to anchor it on insurance so that you 'force' compliance. There has been a lot of under declaration with regard to declaration of imports, thus denying the government and the country at large the necessary tax income. The people who used to import Range Rovers and pay for a Vitz in taxes will be hard-pressed to do so now.

Q. There has been talk about lack of capacity in the Kenyan marine insurance sector. Do you agree with the perception that the industry is not ready for marine insurance?

Peter: This is a most unfortunate misconception. We have substantial technical and financial capacity. Locally, we have the technical capacity to produce a marine policy as good as any in the international market. For instance, I have been a marine insurer for over 20 years. I like to think I have surpassed Malcolm Gladwell's 10,000 hours rule for one to be considered an expert. With regards to financial muscle, the combined local capacity is KSh 24 billion per single shipment. This doesn't even include the additional secondary capacity provided by reinsurers registered in Kenya. For instance, at ICEA LION, we have standby capacity of upto 1.6 billion per single shipment. On need basis, this can be increased to suit any requirement. To give you further proof of our capacity, we are the largest insurer of Kenyan exports being heavily involved in the tea and coffee export insurances.

Q. So this means you offer global marine cover?

Peter: Oh yes! At ICEA LION, we provide House-to-House Cover, also referred to as Cradle-to-the-Grave Cover. For instance, in an export situation, cover will attach from the tea factory, through the warehouses in Nairobi and Mombasa, to the port, loaded, hits the high seas, offloaded at the destination port, transported via overland carrier to the final warehouse of the importer. Shipments as far afield as Kazakhstan are routine! For instance, should there be an issue with theft en route (people have got very ingenious with siphoning) that will be covered regardless of where the theft occurred along that long route. Further, we have a global network that allows us to survey and settle claims anywhere in the globe from right here in Kenya. All you need is your marine certificate and we can service you from anywhere in the world.

Q. What is the largest marine payment you have made?

Peter: ICEA LION actually paid the largest industry claim when MV Chitra carrying numerous containers of our clients' shipments, collided head on with MV Khalijia off the port of Mumbai. The total sum insured was in excess of US\$4 million. The eventual pay-out was KSh250 million. This case is particularly fresh as it is who went to India to resolve the very complex settlement which involved international salvage operators, the shipping company and Mumbai port authorities including customs.



MV Chitra after collision with MV Khalijia

Q. You sound very passionate about marine insurance?

Peter: I certainly am. For your information, marine insurance is at the core of ICEA LION's heritage. Our roots date back to 1895 when Smith Mackenzie & Company were appointed local Lloyd's agents in Mombasa. Soon thereafter, this office was taken over by Guardian Assurance as their local branch. Essentially this branch was purely a marine claims office as exports from the hinterland were negligible. In the 1950's we operated as Joint Marine Office where our predecessors Guardian Royal Exchange and Commercial Groups in East Africa comprised the majority. With the introduction of the incorporation act in 1978 Joint Marine Office was absorbed as the marine department of Lion of Kenya. Lion of Kenya was later renamed ICEA LION General Insurance in 2012 following the merger with ICEA.

Q. Where does the online marine portal fit come in?

Peter: Currently, import processing is done through a single-view window hosted by KenTrade. Ideally, insurance companies should be operating on a common platform fully integrated with KenTrade's single view window. ICEA LION's marine portal is currently active and can be accessed at marine.icealion.com

Q. So what happens to people who have shipments currently in the high seas on January 1st 2017?

Peter: This regulation applies to shipments initiated from 1st January 2017.

Peter Mukuria is the Assistant General Manager – Business Development, at ICEA LION General Insurance

For more information about marine insurance, you can email him via marine@icealion.com or book your insurance via ICEA LION's marine insurance booking portal marine.icealion.com

The impact of this on the economy is providing entrepreneurs and importers a soft landing in the event of unfortunate losses during transit. With further education on the merits of marine insurance, there should be more uptake of the product benefitting both the insured and the insurance company.

Online Travel Insurance

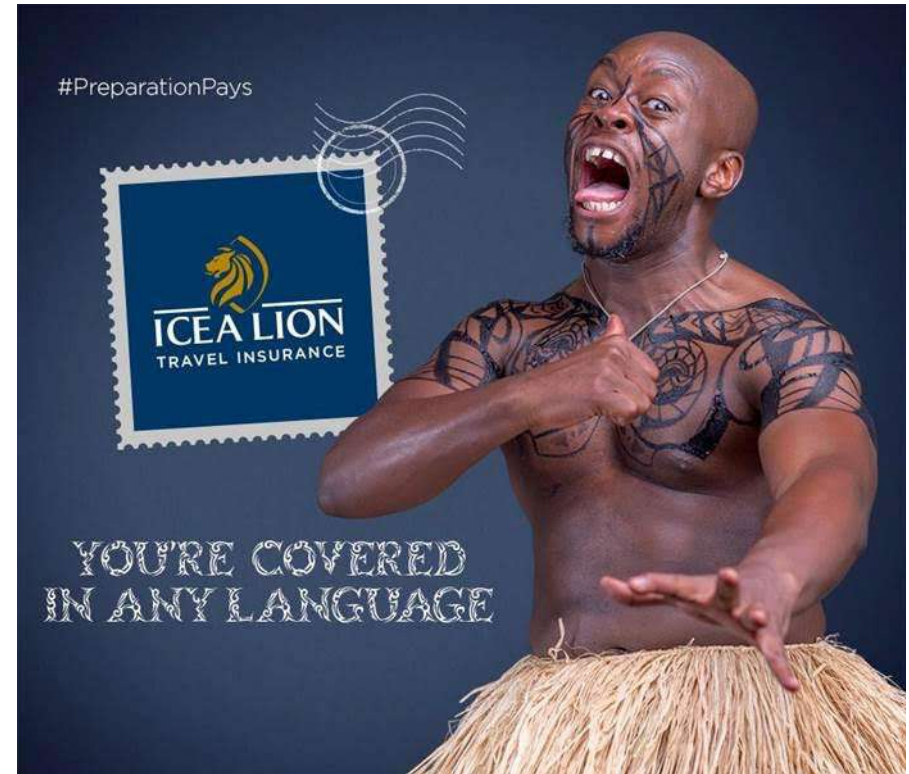
Travel insurance provides coverage for unexpected risks and financial losses that can occur before a trip starts and while travelling. Our international travel insurance covers travellers for unexpected medical expenses when they are abroad; while the core offer is coverage of medical expenses, there are several non-medical benefits. This product is available to individuals, corporate organisations, groups and students.

We innovated on our already existing product based on the key insight that most people not only have to use an agent to get travel insurance, but also that they don't consider travel insurance an essential travel requirement. A key advantage of our product is that unlike other travel insurance products in the market, ours is available online for the retail market and can be purchased online end to end in 10 minutes.

The portal gives customers end to end engagement including travel certificates, payment and letters to embassy. It can be accessed via www.travel.icealion.com We have worked with a global distribution system vendor to deliver this innovative platform and in 2017, we were the only underwriter offering this end to end product in the market. Further, ICEA LION General Insurance is the only insurer offering a catastrophe evacuation cover abroad.

We developed a compelling advertising campaign in order to promote awareness and uptake of the product and also educated the public about the unknown benefits of insurance that can rescue one during calamitous times abroad. The advertisements were a testament to our team's trailblazing and creative spirit.

An advertising campaign kicked off in October 2017 and our premium increased ninefold on advertising and automation of the product. We increased our revenue from Kshs. 5 million in 2016 to Kshs. 20 million in 2017.





**YOU'RE COVERED
IN ANY LANGUAGE**

BOOK YOUR TRAVEL INSURANCE
— ONLINE IN 10 MINUTES —

travel.icealion.com
Contact Centre: +254 719 071999
travelinsurance@icealion.com



**YOU'RE
COVERED
IN ANY
LANGUAGE**

travel.icealion.com
Contact Centre: +254 719 071999
travelinsurance@icealion.com

ICEA LION Social Media Engagement Strategy

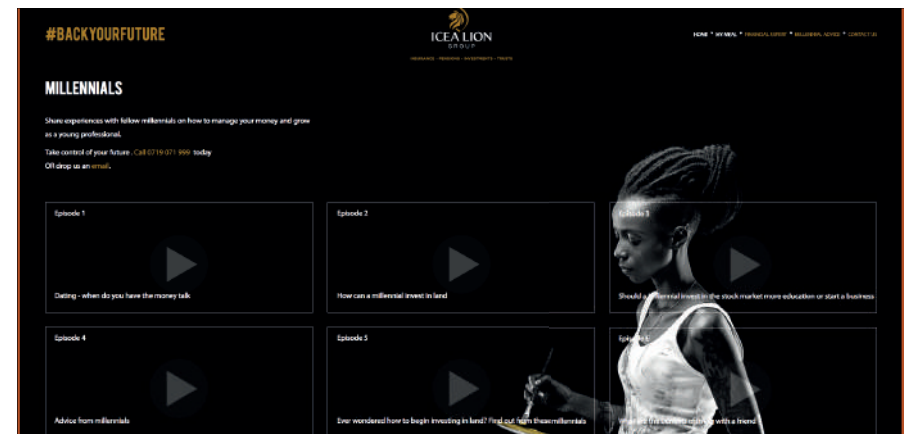
Our marketing and communications strategy, seeks to deliver relevant and impactful engagement channels between ICEA LION and its desired target audiences. Additionally, as part of our goal to deliver profitability, it was integral to utilize solutions that can grow our brand sustainably. The digital sphere was a key channel in this regard.

It is evident that Generation Y & Millennials have a voracious appetite for information, however the traditionally conservative and verbose insurance/financial services industry struggles to put forward product information in a palatable & relevant format. ICEA LION sought to demystify insurance/financial services, and also get intimate with our target audience via a relevant and engaging social media platform. Our end goal was to leapfrog our social media platforms & address our challenge by utilizing a disruption & engaging social media strategy.

Our key insight was that everyone seeks financial success. As such, we wanted to own the platform where we facilitate our audience learn about and FOCUS on their financial success. Especially the millennial generation that believes in instant success. We sought to be their partner on that journey and our theme #Preparation Pays was developed. This was a more partner driven approach to financial education than the tradition prescriptive one that had been adopted by financial service brands.

We ingratiated ourselves into their lives in a relevant manner 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 set ourselves apart in a financial services sector plagued by matching aesthetics and it paid off – immediately. The ICEA LION brand rose to the most engaged insurance brand in a matter of weeks. We continued to fly this flag high to date.

Below is a snapshot of some of the campaigns that have been instrumental in building our brand and is now part of our intellectual property.



ICEA LION GROUP
October 31, 2016 · 🌐

The best feeling of HAPPINESS is when you are happy because you have made someone happy. We hope we have done that for YOU.



Like Comment Share

👍👍👍 24K

Top Comments ·

56 shares

Write a comment...
Press Enter to post.

Dennis Kyallo I am a lawyer by profession. I worked for a certain law firm in Nakuru town and you guys are professionals. You pay claims and legal fees timely and for that am endeared. Good work ICEA.

Like · Reply · 1 · November 2, 2016 at 6:02pm

ICEA LION GROUP Hello Dennis, thank you for contacting us. We appreciate your positive feedback 😊

Like · Reply · 2 · November 3, 2016 at 9:50am · Edited

View more replies

Lilian Odek I'm very happy with ICEA LION GROUP. My solid foundation to ye skies 😊

ICEA LION GROUP
October 29, 2016 · 🌐

A friendship founded on business is better than a business founded on friendship. And this is what we have with you.



Like Comment Share

👍👍👍 Nyambura Maina and 18K others

Top Comments ·

82 shares

Write a comment...
Press Enter to post.

Pausha Rassie Guys here am sitting for my kose on seventh just pray for me en wish me all tha very best

Like · Reply · 3 · October 31, 2016 at 8:02am

View 1 more reply

ICEA LION GROUP All the best Pausha! 😊

Like · Reply · October 31, 2016 at 3:08pm

Isaack Talaam wow!My company for 11yrs now.I love ICEA so much.long live ICEA.

reply · 2 · October 30, 2016 at 7:07am

ICEA LION GROUP
October 19, 2016 · 🌐

Be the best possible version of you.
We'll be here every step of the way.



Like Comment Share

👍👍👍 19K

Top Comments ·

31 shares

Write a comment...
Press Enter to post.

Theo Ruto Oh yes, I personally agree with you guz. Because I have heard and also see, what you have done to your customers. As a mechanic I have gone several quotation and repair of motorcycle brought by different companies, but I can't compare them with ICEA LION GROUP. Actually your ahead of them.

Like · Reply · 1 · October 21, 2016 at 9:26pm

ICEA LION GROUP Thank you Theophilus Ruto we really appreciate your feedback.

Like · Reply · October 22, 2016 at 1:26pm

Abel Ogaro In unity there is a chance to prosperity

ICEA LION GROUP

SALUTE YOUR CONQUESTS.

VISIT BACKYOURFUTURE.COM
 INSURANCE • PENSIONS • INVESTMENTS • TRUSTS
 #BACKYOURFUTURE ☎ 07 19 071 999

ICEA LION GROUP

GET THERE FASTER.

VISIT BACKYOURFUTURE.COM
 INSURANCE • PENSIONS • INVESTMENTS • TRUSTS
 #BACKYOURFUTURE ☎ 07 19 071 999

ICEA LION GROUP

MY FORMULA. MY STORY.

VISIT BACKYOURFUTURE.COM
 INSURANCE • PENSIONS • INVESTMENTS • TRUSTS
 #BACKYOURFUTURE ☎ 07 19 071 999

ICEA LION GROUP

DON'T DREAM. BUILD.

VISIT BACKYOURFUTURE.COM
 INSURANCE • PENSIONS • INVESTMENTS • TRUSTS
 #BACKYOURFUTURE ☎ 07 19 071 999

ICEA LION GROUP

THE PRECISION TO CUT THROUGH.

VISIT BACKYOURFUTURE.COM
 INSURANCE • PENSIONS • INVESTMENTS • TRUSTS
 #BACKYOURFUTURE ☎ 07 19 071 999

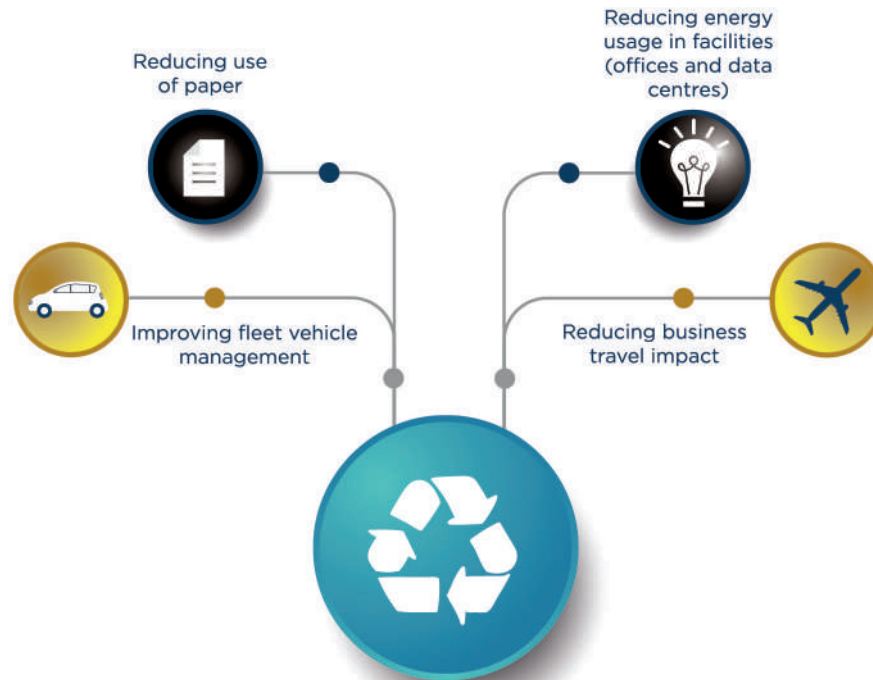
3. NATURAL *Capital*

RESPONSIBLE CONSUMPTION

As a financial services player, we relate to various sectors of the economy and can therefore influence how our stakeholders relate to natural resources. The importance of environmental protection to minimise business related environmental risks and maximise environmental benefits such as sustainability, recycling, waste minimisation, pollution prevention. Ecological preservation forms a key part of our operating philosophy.

We continuously work to reduce the carbon footprint of our activities. This has been largely driven by the “I Belong Here - It’s My Business” culture campaign deployed as part of the Lean Six Sigma campaign. This project aims to encourage employees to identify areas where wastage and consumption can be reduced and to take accountability for their actions. By doing so, they become the beneficiaries of a positively impacted bottom line through bonuses and increments. Various internal communication programmes were initiated resulting in reduced consumption and wastage as highlighted in the facts and figures section.

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.

The charts in the section below indicates the reduction in our water, travel, electricity and newspaper usage over the past year. In future reports, we will track the carbon footprint from our subsidiaries. Various strategies have been deployed over the past two years including the disposal of company owned vehicles. Apart from that in pursuing the “shared economy model”, ICEA LION started the use of Corporate Uber as a means of reducing motor vehicle, time and energy costs.

We have also reduced our footprint through the use of plan offices. 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. Some staff members have opted for e-newspapers as a means of reducing paper usage.

	2015 (Kshs)	2016 (Kshs)	2017 (Kshs)
Travel	530,000	923,000	1,300,000
Electricity	4,510,000	4,740,000	4,431,000
Newspapers/Books	636,000	815,000	833,000
Printing costs	15,888,051	11,908,540	10,593,230

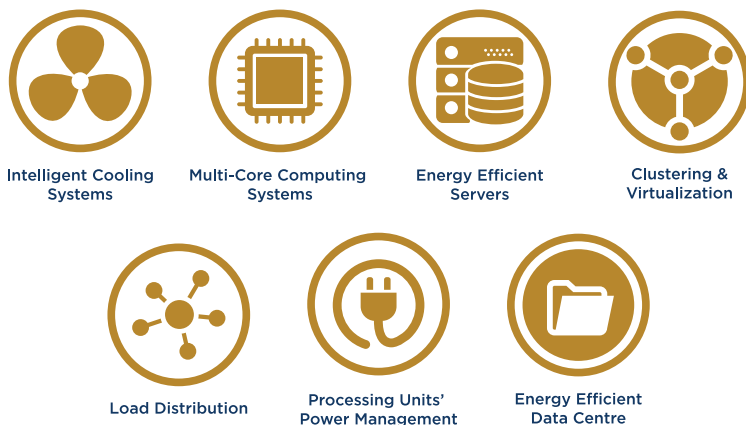
There was an increase in air travel costs in the year 2017 due to increased travel to the subsidiaries.



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.

Our initiatives include:



These initiatives are elaborated below:

Green Deployment

- **Virtualization** - Our data centre runs all our core application systems on a virtualized 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 initiative on lion conservation under the Social and Relationship capital on pages 122 - 127.

4. SOCIAL & RELATIONSHIP *Capital*

THE HIGHEST EMPHASIS ON 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 UK Corporate Governance Code, the Organization 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 recognize 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

Operating transparently and ethically is not only the right thing to do; it is ultimately good for business. Our commitment to fight all forms of corrupt activities is shown by the development of our Anti-Bribery Policy in 2015, way before Kenya’s Bribery Act came into force. This shows that our governance activities go beyond compliance with an aim to add real value to the business. The Anti-Bribery Policy is to help ensure ICEA LION’s compliance with all applicable laws and regulations including Kenya’s Bribery Act No 47 of 2016.

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. All these suppliers are expected to sign off on this agreement before they can provide any good or services to us.

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. In our pursuit of best practice, we advertised nationwide via the way of a tender for vendor pre-qualification. This process is digitized via an external party platform where the vendors were vetted against best practice models. This ensures that we cast our net wide offering greater opportunities for interested vendors and ensuring we get the best value from a wider vendor selection range.

GOVERNMENT AND REGULATORS

Recognizing 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. We further support the enactment of global laws e.g. the European Union General Data Protection Regulations (EU GDPR) and the Foreign Account Tax Compliance Act (FATCA) which are cross- jurisdictional and have far reaching implications. In light of this, we have taken proactive measures in ensuring that global laws are reviewed and understood internally and actions taken.

DATA PROTECTION

We recognize 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 recognize 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.

INSURANCE - A KEY DRIVER TO SOCIO-ECONOMIC GROWTH

By protecting companies and consumers from everyday risks, we provide a 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 - 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. 13 billion we create long-term value for our customers, shareholders and society as a whole empowering them to live a better life.



OUR CORPORATE CITIZENRY

In Pursuit of Sustainable Insurance

In 2016, ICEA LION Life Assurance was confirmed as a signatory to the elite United Nations Environmental Programme Finance Initiative (UNEP FI) Principles of Sustainable Insurance (PSI). We are the first in East and Central Africa to have become signatories to the PSI, joining 2 other insurers in West Africa and 2 in South Africa.

These Principles, developed by the UN Environment Programme's Finance Initiative and signed in June 2012 at the RIO+20 Summit in Brazil are a framework for the global insurance industry to address environmental, social and governance risks and opportunities. 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 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.

PSI widens the scope of Principles of Responsible Investment (PRI) by going beyond investing to covering insurance operations. It addresses insurance risk management, insurance product development, claims management and sales and marketing processes.

The aim of the Principles are 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.



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 Social Investment Strategy – #I SEE A LION

From 2014, ICEA LION began the journey departing from Corporate Social Responsibility that was more philanthropic and short term, toward Corporate Social Investment. The strategy was to find a single, impactful cause for which the ICEA LION Brand could be associated with. Further, the sustainability and the social enterprise tenets across the value chain were critical.

OUR CONTINUED JOURNEY TOWARDS EXCELLENCE IN CORPORATE CITIZENSHIP

Our Beginnings As A Socially Responsible Corporate

Over the years - as was the norm amongst corporates like ours - requests for sponsorship were received, support initiatives deliberated on by a committee and the approved projects receiving funding. In effect, though noble, these Corporate Social Responsibility (CSR) initiatives were adhoc philanthropic initiatives rather than sustainable Corporate Investment Initiatives (CSI). In the last strategic planning period 2013 – 2017, ICEA LION Group supported these CSR initiatives with **Kshs. 17.2 Million** and ICEA LION General Insurance met **Kshs. 11 Million** of these costs. A listing of these CSR initiatives are listed in appendix 1 of this report. *These costs exclude the launch event activities & related logistical as well as operational costs.*

ICEA LION General Insurance has also supported various organizations in their charitable pursuits by providing insurance capacity for event-related cover of **Kshs. 3.5 Billion** for various events. Our total sum insured for 2017 was **Kshs. 2.96 Trillion** and **Kshs. 3.26 Trillion** in 2016 representing the capacity we offer to our policy holders.

SUPPORT OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES IN SPORTING VIA INSURANCE COVER									
Organization & Project	Event Cover	2013	2014	2015	2016	2017	Total Sum Assured	Annual Premium Cost Met By ICEA LION	
		Sum Insured							
Faraja Cancer Trust	Public Liability For 3 Days	-	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00	-	-	
	Total Sum Assured for Faraja Cancer Support Trust	-	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00	80,000,000.00	-	
White Water Rafting	Public Liability for 3 Days	-	-	10,000,000.00	10,000,000.00	-	-	-	
	Group Personal Accident For One Day - International & E.A Residents Participants	-	-	300,000,000.00	300,000,000.00	-	-	130,000.00	
Drumbeat Limited Amazing Masai Mara Marathon	Group Personal Accident For One Day - Community Participants	-	-	300,000,000.00	300,000,000.00	-	-	-	
	Group Personal Accident For One Day - Event Officials	-	-	30,000,000.00	30,000,000.00	-	-	-	
	All Risks	-	-	200,000.00	200,000.00	-	-	-	
	Total Sum Assured for Drumbeat Ltd	-	-	646,200,000.00	646,200,000.00	-	1,280,400,000.00	130,000.00	
Kenya Motor Sports Federation KCB Safari Rally - Event Cover	Public Liability	-	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	-	9,976.00	
	Group Personal Accident For One Day - Event Competitors (Drivers)	-	110,000,000.00	110,000,000.00	110,000,000.00	110,000,000.00	-	87,791.00	
	Group Personal Accident For One Day - Rally Officials	-	60,000,000.00	60,000,000.00	60,000,000.00	60,000,000.00	-	67,639.00	
	All Risks	-	7,600,000.00	7,600,000.00	7,600,000.00	7,600,000.00	-	37,868.00	
	Total Sum Assured	-	227,600,000.00	227,600,000.00	227,600,000.00	227,600,000.00	910,400,000.00	203,274.00	
Kenya Motor Sports Federation KCB Safari Rally - Office Insurances	Fire & Perils	-	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	-	5,023.00	
	Burglary	-	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	-	5,023.00	
	Money	-	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	-	7,986.00	
	Fidelity Guarantees	-	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	-	15,068.00	
	Workers Injury Benefit Act (WIBA)	-	3,450,000.00	3,450,000.00	3,450,000.00	3,450,000.00	-	27,104.00	
	Employers Liability	-	10,000,000.00	10,000,000.00	10,000,000.00	10,000,000.00	-	6,776.00	
	Total Sum Assured	-	21,450,000.00	21,450,000.00	21,450,000.00	21,450,000.00	85,800,000.00	66,980.00	
	Total Sum Assured for Kenya Motor Sports Federation	-	249,050,000.00	249,050,000.00	249,050,000.00	249,050,000.00	996,200,000.00	270,254.00	
	Event Cancellation for One Day	-	-	-	-	-	41,500,000.00	47,500,000.00	-
	Event Cancellation for One Day Due To Terrorist Event Prior To Event	-	-	-	-	-	-	47,500,000.00	-
Lewa Wildlife Conservancy Safaricom Lewa Marathon	Public Liability For One Day	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00	150,000,000.00	-	
	Terrorism For One Day	-	-	30,000,000.00	100,000,000.00	100,000,000.00	150,000,000.00	-	
	WIBA & Group Personal Accident For the Year (Including the Marathon)	20,000,000.00	30,000,000.00	30,000,000.00	100,000,000.00	150,000,000.00	170,000,000.00	-	
	Total Sum Assured for Lewa Wildlife Conservancy	120,000,000.00	130,000,000.00	160,000,000.00	300,000,000.00	391,500,000.00	1,101,500,000.00	-	
Total Value		120,000,000.00	399,050,000.00	1,069,250,000.00	1,209,250,000.00	660,550,000.00	3,458,100,000.00	400,254.00	

In addition to providing insurance support, ICEA LION has over the years supported various initiatives related to these events:

In 2015, following an intensive exercise to select an iconic and sustainable corporate social investment to support, the ICEA LION Board endorsed our shift in focus and as a result, we made the first major strides towards sustainable corporate citizenry. Until the end of 2017, ICEA LION Group has spent **Kshs. 6.6 Million** on the I SEE A LION project. Half that amount has been met by ICEA LION Life Assurance totaling **Kshs. 3.3 Million**.

We selected an initiative that ticked the following boxes:

- Adhered to ICEA LION Group's corporate governance sustainability policy that enhances sustainability of social and natural environments.
- Adopted business excellence practices: One of the 7 parameters of the Organizational Performance Index (OPI), Corporate Citizenship and Environment.
- Supported a single, impactful and emotive cause that we can 'own' and be associated with for posterity.
- Created the opportunity to trailblaze for the industry in our execution.
- Linked to our Corporate Mission to Protect & Create Wealth.
- Linked to our Corporate Brand Identity - LION.

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 lion's 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 organization we strongly believe that our partnering with KWS and other world renown local conservationists insures the future of our economy. Our I SEE A LION Corporate Social Investment Campaign, aptly named, is aimed at ensuring that future generations get to experience and SEE lions roam freely in the wild in future - and not in captivity. The I SEE A LION name is intriguingly close to what some people call us I-C-A-LION as opposed to ICEA LION - our actual name.

It is as though our connection with lions was always meant to be.

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 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 beloved 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 conceptualized 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 minimize 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:

1. The Nationwide Lion Census.
2. Human-Wildlife Conflict Interventions.

The Nationwide Lion Census:

A key need for lion conservation teams and the country at large is to determine exactly how many lions we do have in our 8 conservation areas. The initial phase of our partnership with KWS is to establish the actual population of lions in the entire country. This will form a baseline to determine the areas where the lion population is most vulnerable or at risk. The Census began in 2017 and is scheduled to run for the period of 2 years. After this period, we will review the findings with KWS and related stakeholders.

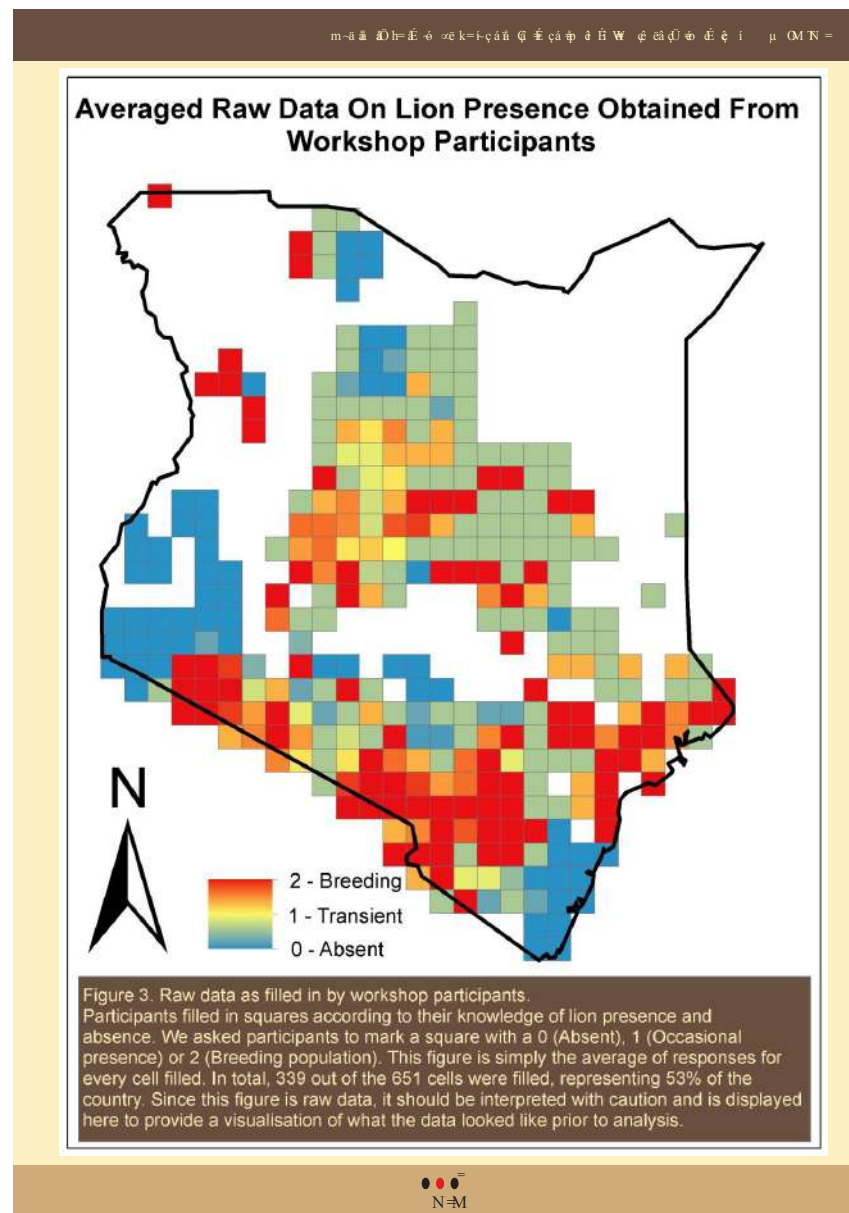
ICEA LION funded the KWS and Conservation Partners Methodologies and Standardization Workshop in July 2017 to the tune of **Kshs. 0.46 Million**. The workshop was conceptualized to ensure that we are effective in use of resources – time and money – to get the most value out of the investment.

Workshop Objectives

1. Gather lion experts from across the country in order to share information and work towards a standardised framework for lion surveys
2. Consolidate existing information so as to inform and coordinate future efforts
3. Formulate a strategy to provide accurate, precise and repeatable national lion population figures

Participants at the workshop ranged from KWS representatives from most of the 8 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.

At the workshop, conservationists were provided with a blank map of Kenya with various grids and were requested to indicate their area of operation in lion conservation. The resultant map looked like the one illustrated:



Averaged Raw Data on Lion Presence Obtained From Workshop Participants (Source - Kenya Wildlife Service)

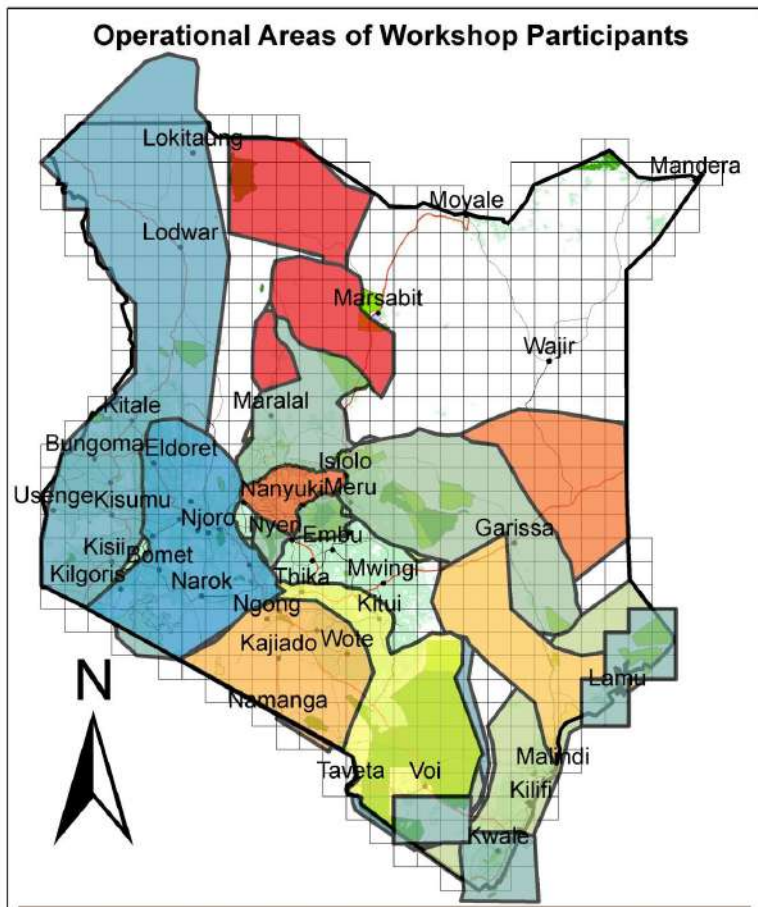
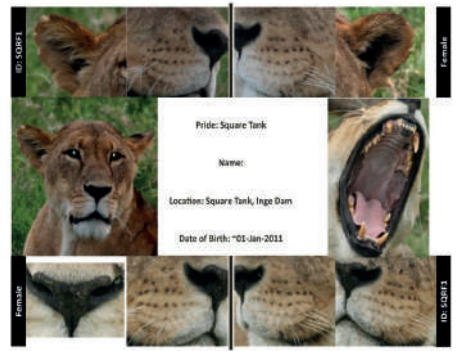


Figure 2. Participants drew 40 areas of operation - ie. the area within which their organisation works. The total area covered is 444,928 km², representing approximately 76% of the entire country. However, participants frequently reported to spending minimal time in particular areas, and so there remain large gaps in knowledge. In particular, there is a large grouping of organisations, and much overlap along the border with Tanzania, representing good opportunities for collaboration. Meanwhile there was little representation from northern Kenya, with significant knowledge gaps.

T =

Operational Areas of Workshop Participants

An excerpt of one of the reports



- ☒ Spotted hyena - photo ID's for spotted hyenas i.e. coat pattern were also taken.
- ☒ Other predators (i.e. jackals, leopards, caracal etc) information was collected upon sighting the age, number, sex and habitat data was recorded
- ☒ Herbivore data was limited to medium to large herbivore species as they are the main prey species for lions. Information on their numbers and presence of juveniles was recorded.
- ☒ Habitat data was collected separately also using Cyber tracker, to aid in developing a habitat map,
- ☒ All vehicles i.e. KWS and tourist vehicles sighted during the survey were recorded

Preliminary outputs

As shown on figure 1 below, the entire park was uniformly covered by the survey team; a total of approximately 2,400KM were driven, with lion sightings made mostly on the North East and Southern parts of the park (black triangles).

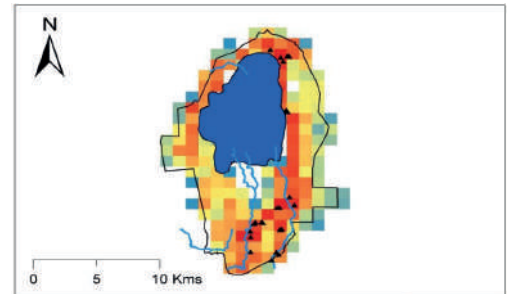


Figure 1. Coloured cells ranging from red to blue (Red indicate more effort and blue less effort)

The survey team did not sight lions on the Western side of the park, although there were reports and signs of lion presence in the area i.e. the team saw old spoor tracks and old scat. It is therefore possible that a pride exists in this area (dark blue circle). The team suspected that the WCK pride could be having some cubs as one of the females seemed to be lactating. Lions are known to hide their

Discussion and Conclusion

After the survey the survey team held a meeting with the park management to update them on progress and preliminary findings.



The survey team sighted 16 lions in LNNP. However, this should not be interpreted to be the population of lions in LNNP as the SECR software during analysis, aside from taking into account the number of individuals sighted (capture) and re-sighted (recapture) it also takes into account the effort, habitat and capture history. SECR uses this data to essentially estimate lion density and will also estimate how many lions that may have been missed during the survey. Thus, a refined estimate of lions in LNNP will be provided in the final report which will be completed by December, 2017.

As a result of the standardization workshop, the originally planned 8 census areas were reduced to 5. The census also realized skills transfer and creation of job opportunities. This is a true testament of ICEA LION supporting sustainable initiatives and positively impacting the people, planet and profit.

The total investment made in the first census location at Lake Nakuru National Park by ICEA LION was **Kshs. 0.82 Million**.

Human-Wildlife Conflict Intervention:

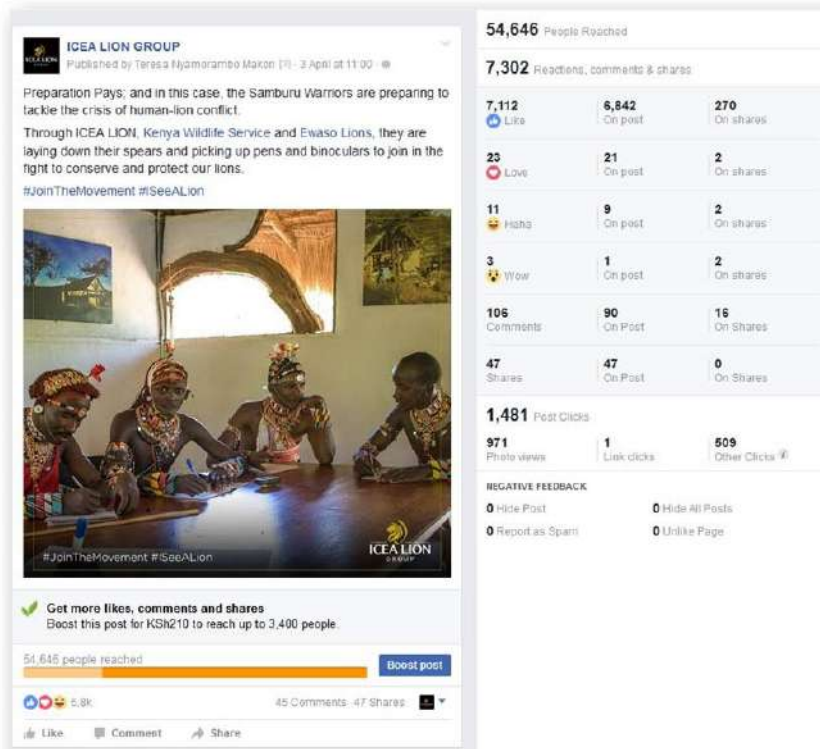
Wealth creation strongly depends on consistency and sustainability, therefore we will be collaborating with communities within these areas working towards securing the future of the lion and in essence the future of our heritage. We identified Ewaso Lions in Samburu as an organization that has truly embraced sustainable conservations initiatives.

Since 2007, Ewaso Lions has used science, education, and local capacity building to guide and facilitate long-term carnivore conservation in northern Kenya. Their flagship community programme, Warrior Watch Programme, engages the Samburu warriors in conservation in Northern Kenya through various community and research activities. They aim to strengthen and scale up our research activities by employing efficient and effective methods in our lion and wildlife monitoring across our study area.

In November 2017, ICEA LION supported Ewaso Lions with **Kshs. 0.9 Million** to facilitate their various lion monitoring programmes. ICEA LION further invested **Kshs. 3.8 Million** to develop a captivating and engaging film to showcase Ewaso Lions efforts whilst starting the movement amongst Kenyans to #JoinTheMovement with regards to lion conservation.

The film has had tremendous success on our social media platforms namely Facebook, Instagram and YouTube. There were over 100,000 views on Facebook and over 100,000 on YouTube. The film can be viewed on the ICEA LION website www.icealion.com/corporate-downloads. We will continue to engage them and like-minded organizations to reduce human-wildlife conflict.





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 recognized for its pursuit of sustainable CSR at the industry Think Business Insurance Awards in 2017 garnering the 1st Runners Up Position.

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.

ICEA LION GROUP CORPORATE SOCIAL INVESTMENT - #I SEE A LION - SUPPORT - OCTOBER 2016 - OCTOBER 2017						
No. Project	Description	Category	Amount	Life Cost	General Cost	
2017						
1	Warrior Watch & Lion Monitoring Equipment	Corporate Social Investment Initiative -	862,554.00	431,277.00	431,277.00	
2	Ewaso Lions - Lion Conservation Project	Production of the Lion Conservation Video	3,838,634.00	1,919,317.00	1,919,317.00	
3		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	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	
TOTAL CORPORATE SOCIAL RESPONSIBILITY & INVESTMENT SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2017			23,754,744.80	9,502,372.40	14,252,372.40	
<i>These costs exclude the launch event activities & related logistical costs</i>						

SUPPORTING LOCAL ENTREPRENEURS AND TALENT

ICEA LION is pleased to have positively contributed to creating wealth for local upcoming companies led by millennials. We retained the services of Isobar in 2016 when its business was still nascent having set up an advertising agency based in Nairobi that set up shop in 2015. 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 and impactful creative work.

Since then, Isobar, iProspect and Posterscope East Africa who are divisions of the holding company Dentsu Aegis Network Team in Kenya, have grown in the following ways thanks to the ICEA LION account being a launch pad:

1. The team has grown from 15 to 100.
2. The Company has seen over 119% revenue growth YOY 2016-2017, making them the fastest growing agency in East Africa. They have reported no 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:
 - A Gold and Silver award at the 2017 Association of Advertising Practitioners (APA) awards and a Silver for ICEA LION's Travel Insurance Campaign
 - Isobar 10 Awards at the African Cristal Awards whilst 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:
 - i. Best Isobar Office of the Year - 2017 & 2018
 - ii. Best Dentsu Aegis Network Company of the Year 2017

iii. Isobar MD Yash Deb won the Dentsu Aegis Network Lion Award 2018 and Star of the Year 2018

iv. iProspect MD Joel Rao won the Dentsu Aegis Network Pioneering Award 2018

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



Yash Deb, MD - Isobar Kenya, and Chris Madison, CEO - Dentsu Aegis Network Kenya, at the launch of the Corporate Social Investment initiative, "I SEE A LION" delight in being part of our noble endeavour.

5. MANUFACTURED *Capital*

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 properties:

- Arboretum View located on Riverside Drive.
- Lion Place located on Waiyaki Way.
- Williamson House located on 4th Ngong Avenue.

We have leased 13 other properties that host each of our branches.



Lion Place



Williamson House

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 on 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 prepare to thrive in this continually changing and evolving in landscape in order to meet and exceed customer expectations. We aim to continuously support creativity within the business while driving acceleration of the organization’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 actualize the strategy across the business while ensuring value creation. ICT plays a key factor in realizing 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 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 on infrastructure over the past few years, an essential component in building efficacy and efficiencies within our business model.

Below is a graphical representation of our manufactured capital within the sphere of ICT that enables us deliver on our Company’s strategic objectives.

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

6. FINANCIAL *Capital*

CREATING IN COUNTRY-VALUE THROUGH OUR FINANCIAL CAPITAL

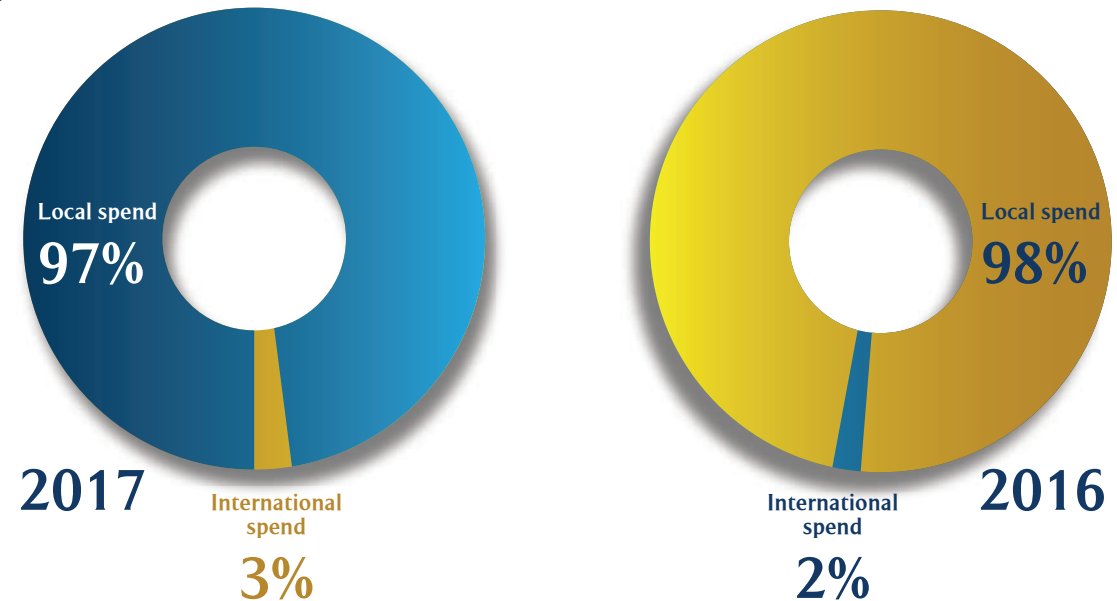
Taxes paid

Our contribution to economic sustainability in terms of payments to government in the form of taxes over the past three years as is as follows:

Year	Total Taxes Paid (KShs)
2015	366,199,889
2016	344,830,186
2017	516,224,003
TOTAL	1,227,254,077

Supporting local suppliers

When procuring any goods and services, our first choice is always a local source provided they can meet all the key criteria. The trend over the past 3 years shows a heavy bias towards local suppliers. as illustrated below:

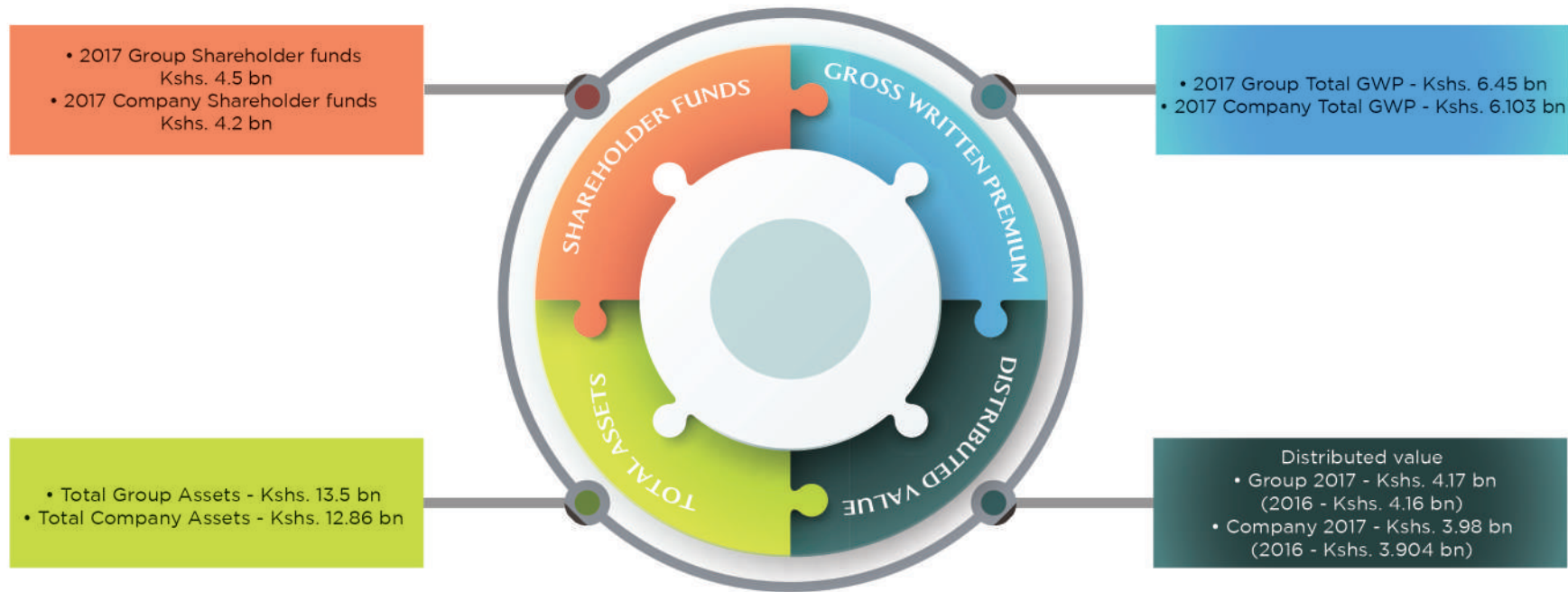


Our supply chain strategy is to engage with our suppliers and commit to our procurement, sustainability and environmental charters as we embed the principles of sustainable insurance across the entire value chain. We believe that together we can deliver economic solutions to support both our business as well as ensure continued socio-economic growth of Kenya.

VALUE CREATION

Financial Capital

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



VALUE ADD STATEMENT

	GROUP				
	2017	2016	2015	2014	2013
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Gross written premiums & interest income	8,327	8,598	7,584	7,009	5,995
Less; insurance ceded & costs of other services	3,510	4,234	3,643	3,189	2,870
Wealth created:	4,817	4,364	3,942	3,819	3,125
Distribution:					
Policyholders	2,246	2,399	1,818	1,675	1,256
Employees - salaries, wages & other benefits	673	673	636	556	502
Benefits to sales agents	812	795	740	764	526
Taxes paid to government	242	100	128	222	254
Dividends to shareholders	200	200	200	200	200
Retention to support future business growth:					
Depreciation & amortization	47	69	57	67	36
Retained earnings	597	129	362	337	351
Total distribution:	4,817	4,364	3,942	3,819	3,125

VALUE ADD STATEMENT

	COMPANY				
	2017	2016	2015	2014	2013
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Gross written premiums & interest income	7,781	7,252	6,571	5,989	5,165
Less; insurance ceded & costs of other services	3,156	3,169	2,935	2,407	2,061
Wealth created:	4,625	4,083	3,636	3,582	3,104
Distribution:					
Policyholders	2,201	2,311	1,738	1,602	1,221
Employees - salaries, wages & other benefits	588	594	562	548	488
Benefits to sales agents	749	704	660	630	488
Taxes paid to government	242	94	106	216	233
Dividends to shareholders	200	200	200	200	200
Retention to support future business growth:					
Depreciation & amortization	43	66	57	65	35
Retained earnings	602	113	313	320	440
Total distribution:	4,625	4,083	3,636	3,582	3,104

Chief Financial Officer's *Statement*



During the year 2017, the Group gross revenue decreased by 13% to Kshs. 6.45 billion, while Company revenue fell by 3% to Kshs. 6.1 billion. The Group level sales decline was largely attributed to the loss of significant fronted engineering business at the Tanzanian subsidiary. Additionally, Company revenue decreased because of a deliberate decision not to underwrite unprofitable business.

The Group and Company loss ratios improved to 58% and 59% from 2016 levels of 59% and 60% respectively. The lower loss ratios were down to various strategies deployed by the business to improve claims experience both from risk selection and claims management standpoints.

2017 was a record year in terms of profitability with the Group and Company Profits Before Tax of Kshs. 1.039 billion and Kshs. 1.044 billion respectively. This improved profitability was driven by a reduction in expenses and an increase in investment income during the year. The expense reduction was occasioned both by a one-off expense incurred in 2016 which did not recur in 2017 and continued cost consciousness.

Over the last five years, the Group and Company's shareholders' funds have grown to Kshs. 4.5 billion and Kshs. 4.2 billion with return on equity rates of 23% and 24% respectively as at the end of 2017.

This performance was against the backdrop of a tough operating environment both in Kenya and Tanzania, particularly the long-drawn-out general elections and interest rate capping in Kenya among other factors.

“We design, implement and maintain internal controls deemed necessary to enable preparation of an integrated report that is free from material misstatements.”

Zipporah Chege

Financial *Highlights*

Group Five Year Financial Highlights

Summary Statement of Comprehensive Income

	2017	2016	2015	2014	2013
Revenue	Kshs"000"	Kshs"000"	Kshs"000"	Kshs"000"	Kshs"000"
Gross Written Premiums	6,451,009	7,428,804	6,282,137	6,133,881	5,352,134
Net Earned Premiums	3,902,445	4,035,944	3,389,738	3,278,684	2,671,080
Claims Expense	2,245,931	2,398,505	1,818,082	1,674,506	1,255,772
Operating Expenses	1,317,413	1,731,491	1,517,983	1,234,307	1,044,561
Underwriting Profits	183,751	116,710	118,821	178,246	374,696
Investment Income	1,003,902	849,039	893,256	790,449	610,450
Profit Before Tax	1,039,121	429,078	689,969	758,223	804,953
Taxation	241,740	100,215	128,171	221,555	253,724
Profit After Tax	797,381	328,863	561,798	536,668	551,229
Other Comprehensive Income	186,572	(116,870)	(231,988)	164,256	167,651
Total Comprehensive Income	983,953	211,993	329,810	755,540	713,266
Summary Statement of Financial Position					
Shareholders' Funds	4,507,479	3,723,526	3,761,535	3,681,725	3,283,159
Total Assets	13,495,806	12,665,284	11,982,721	11,856,445	10,718,800
Total Liabilities	8,988,327	8,941,758	8,221,186	8,174,720	7,435,641
Investment Assets	9,228,163	8,503,045	7,576,267	7,233,369	6,363,859
Key Ratios					
Loss Ratio	58%	59%	53%	51%	47%
Expense Ratio	18%	15%	19%	17%	16%
Return on Investment	11%	9%	9%	13%	12%
Return on Equity	23%	12%	18%	21%	25%

Financial *Highlights (continued)*

Company Five Year Financial Highlights

Summary Statement of Comprehensive Income

	2017	2016	2015	2014	2013
Revenue	Kshs"000"	Kshs"000"	Kshs000"	Kshs"000"	Kshs"000"
Gross Written Premiums	6,103,330	6,304,587	5,627,152	5,254,135	4,563,514
Net Earned Premiums	3,737,910	3,824,576	3,145,662	3,088,188	2,523,336
Claims Expense	2,200,520	2,310,662	1,738,268	1,601,537	1,221,400
Operating Expenses	1,144,727	1,564,670	1,337,512	1,089,770	909,696
Underwriting Profits	226,828	141,720	116,131	211,482	372,853
Investment Income	956,135	799,664	837,795	724,996	539,240
Profit Before Tax	1,044,217	407,274	618,473	736,244	872,558
Taxation	242,370	94,125	105,786	215,977	232,890
Profit After Tax	801,847	313,149	512,687	520,267	639,668
Other Comprehensive Income	190,901	(88,099)	(189,082)	109,474	(2,302)
Total Comprehensive Income	992,748	225,050	323,605	629,741	637,366

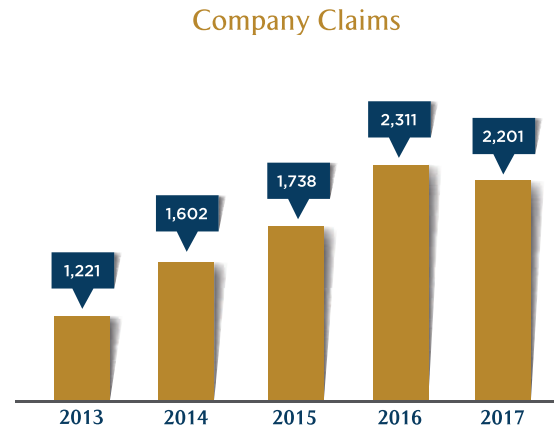
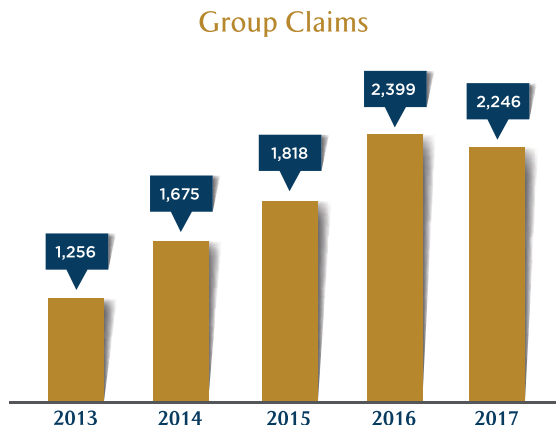
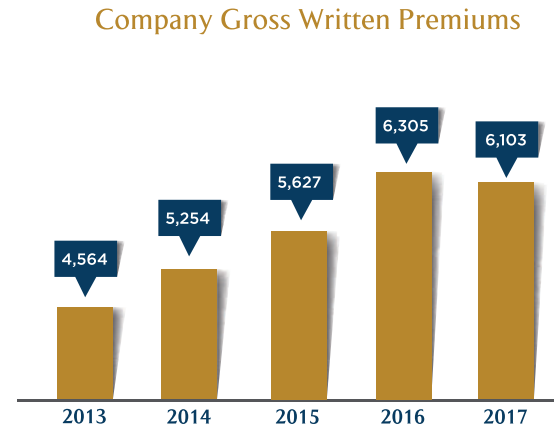
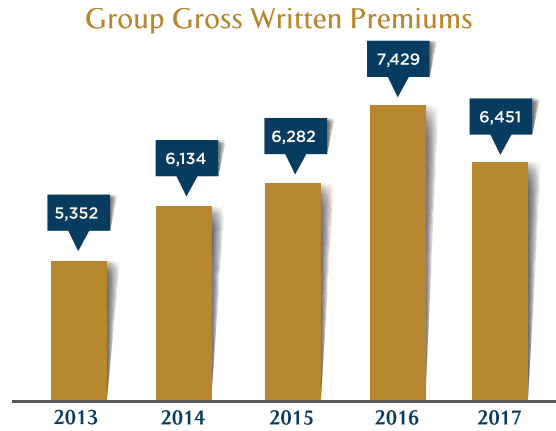
Summary Statement of Financial Position

Shareholders' Funds	4,263,540	3,470,792	3,495,742	3,422,137	2,992,396
Total Assets	12,860,725	11,880,352	11,103,707	10,694,888	9,688,607
Total Liabilities	8,597,185	8,409,560	7,607,965	7,272,751	6,696,211
Investment Assets	8,817,065	8,085,690	7,118,129	6,753,586	5,896,873

Key Ratios

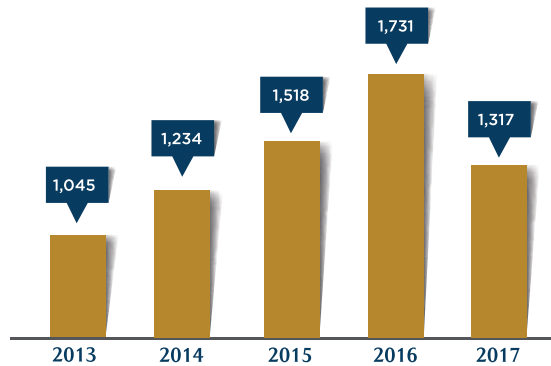
Loss Ratio	59%	60%	55%	52%	48%
Expense Ratio	15%	15%	18%	17%	16%
Return on Investment	11%	9%	9%	12%	9%
Return on Equity	24%	12%	18%	22%	29%

Financial *Highlights (continued)*

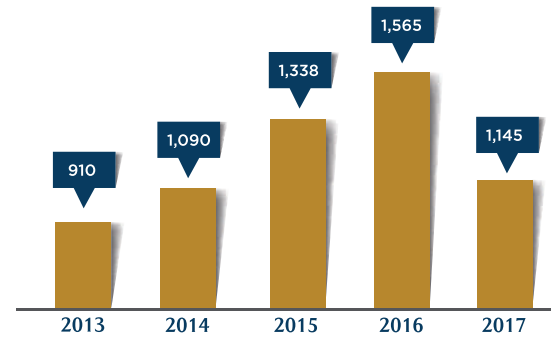


Financial *Highlights (continued)*

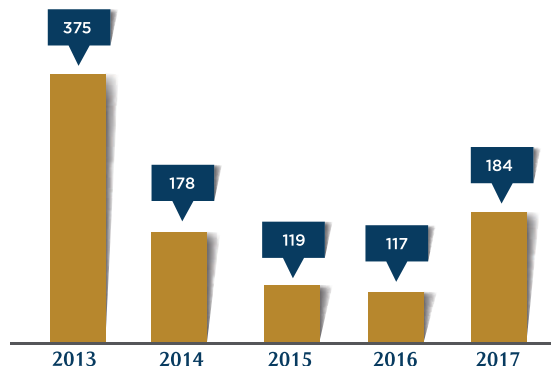
Group Operating Expenses



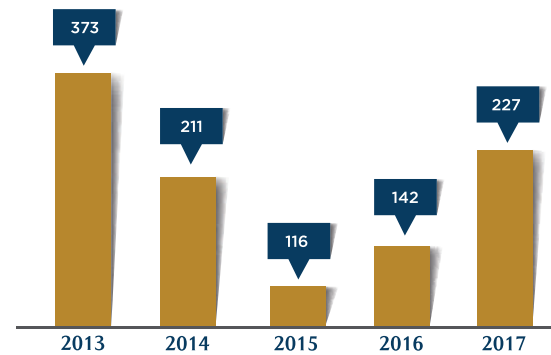
Company Operating Expenses



Group Underwriting Profits

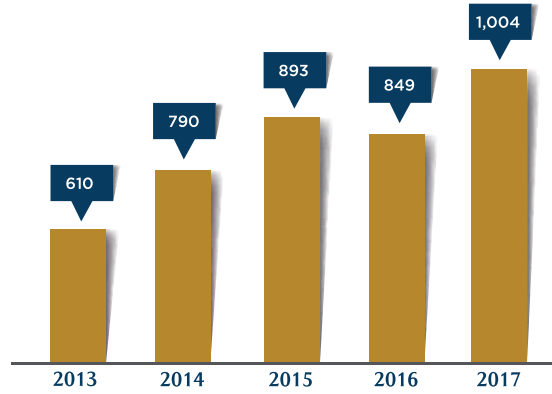


Company Underwriting Profits

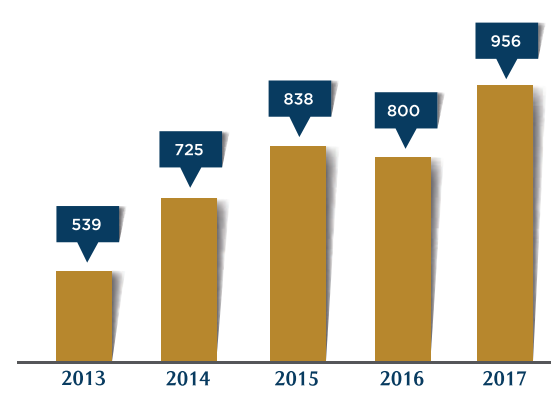


Financial *Highlights (continued)*

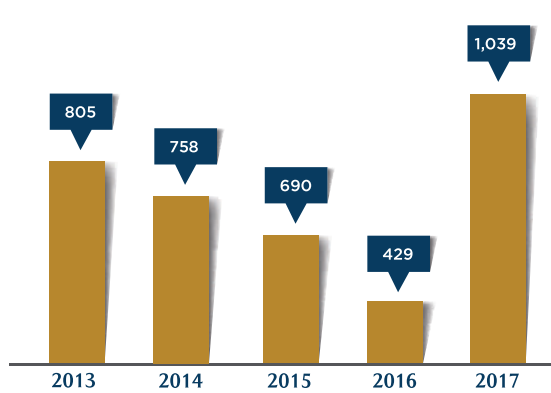
Group Investment Income



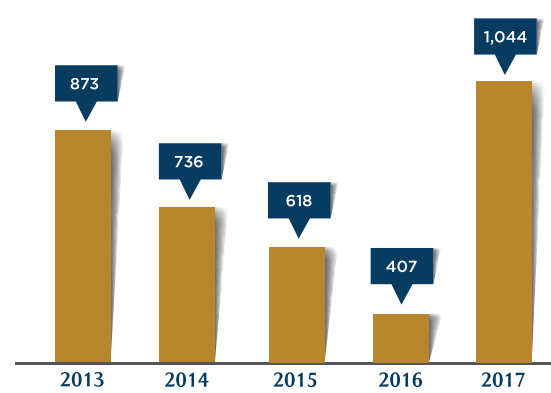
Company Investment Income



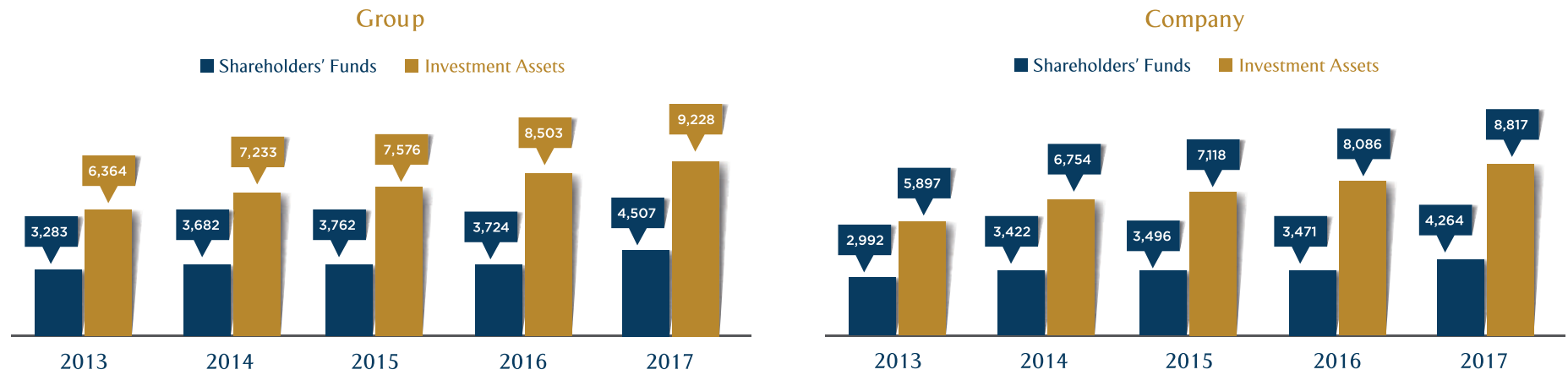
Group Profit before Tax



Company Profit before Tax

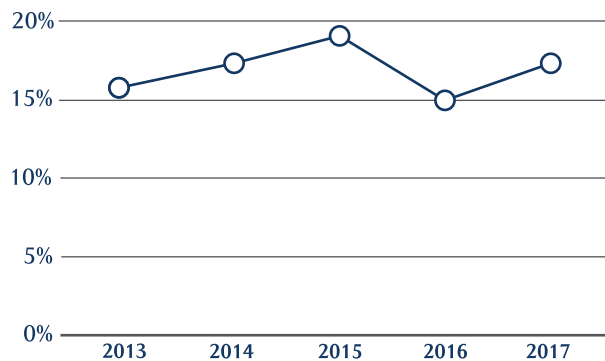


Financial *Highlights (continued)*

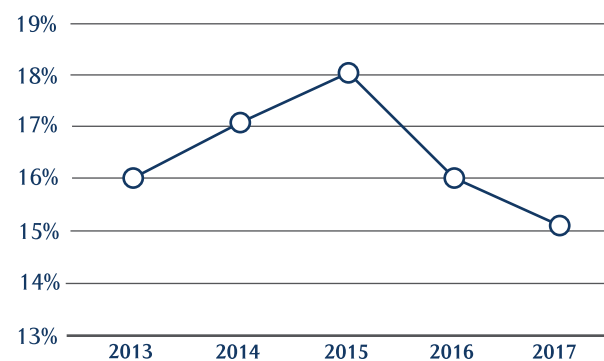


Financial *Highlights (continued)*

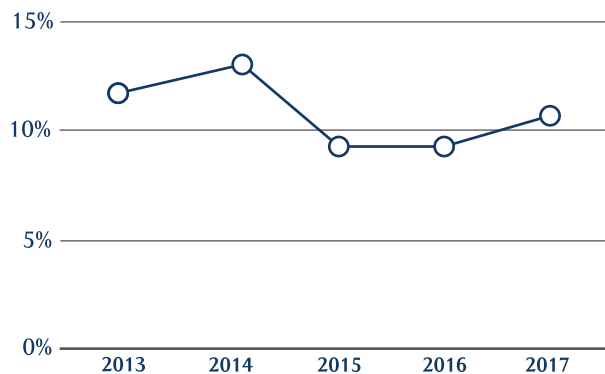
Group Expense Ratio



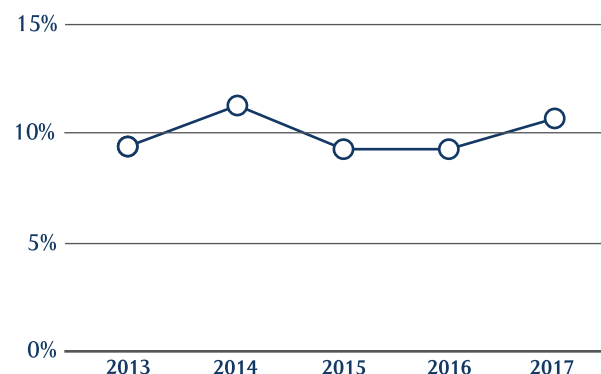
Company Expense Ratio



Group Return on Investment

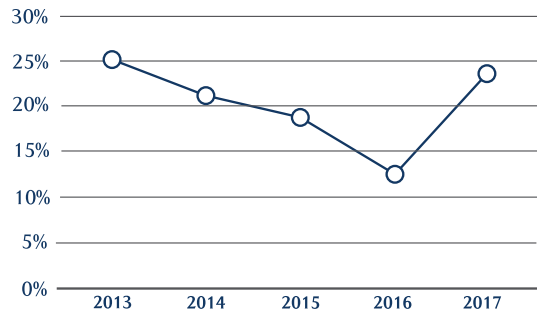


Company Return on Investment

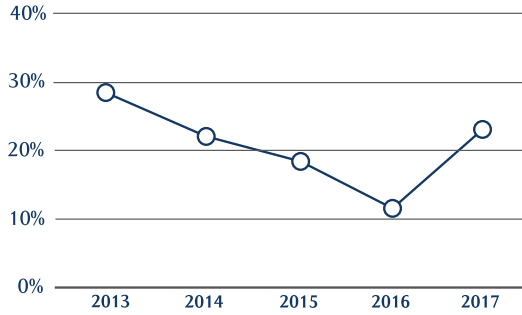


Financial *Highlights (continued)*

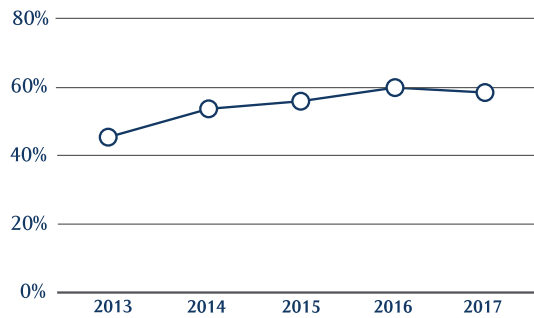
Group Return on Equity



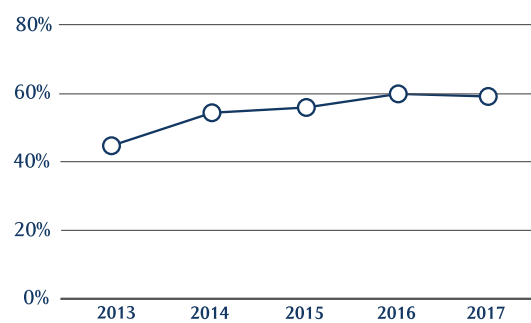
Company Return on Equity



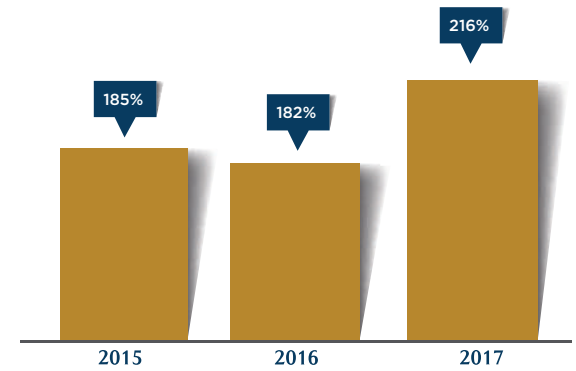
Group Loss Ratio



Company Loss Ratio



Capital Adequacy Ratio



2017 Audited Financial Statements



REPORT OF *Directors*

The directors have pleasure of presenting their inaugural integrated report which includes the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of ICEA LION General Insurance Limited (the “Company” and its subsidiary, together (“the Group”).

BUSINESS REVIEW

The principal activity of the company and its subsidiary, ICEA LION General Insurance Company Limited (Tanzania), is the transaction of general insurance business.

The group reported a profit before tax of Kshs 1,039,121,000 (2016: Kshs 429,078,000) whereas the company reported a profit before tax of Kshs 1,044,217,000 (2016: Kshs 407,274,000). The improved performance was largely attributed to a reduction in expenses, improved underwriting results and an increase in the investment income. The Group and Company’s 5 years financial highlights including ratios are summarised on pages 136 to 143.

The group is exposed to various risks including insurance risk, financial risks and capital risks. The details of these risks and how the company manages them are discussed on Note 4 and pages 85 to 93.

GROUP RESULTS

	2017 Shs' 000	2016 Shs' 000
Profit before income tax	1,039,121	429,078
Income tax expense	(241,740)	(100,215)
Profit for the year	797,381	328,863
Attributable to owners of the parent	799,480	321,478
Attributable to non-controlling interest	(2,099)	7,385
Profit attributable to equity holders of the parent company transferred to retained earnings	797,381	328,863

RESULTS AND DIVIDEND

Profit for the year of Ksh 797,381,000 (2016: Ksh 328,863,000) has been added to retained earnings. During the year, an interim dividend of Ksh 50,000,000 (2016: Ksh 50,000,000) was paid. The directors recommend the approval of a final dividend of Ksh 150,000,000 (2016: Ksh 150,000,000).

DIRECTORS

The directors who held office during the year and to the date of this report are set out on pages 24 to 31.

DISCLOSURES TO AUDITORS

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
23 March 2018
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 Company at the end of the financial year and its financial performance for the year then ended. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Group and of the Company; disclose with reasonable accuracy at any time the financial position of the Group and of the Company; and that enables them to prepare financial statements of the Group and 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 of the Company 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 controls as they determine are 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

In preparing the financial statements, the directors have assessed the Group's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Company and its subsidiary will not remain going concerns for at least the next twelve months from the date of this statement.


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 23 March 2018 and signed on its behalf by:



J K Muiruri

Director



J K Kimeu

Director

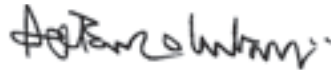
REPORT OF THE *Parent Company Consulting Actuary*

I have conducted an actuarial valuation of the Company's insurance liabilities as at 31 December 2017.

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

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

In my opinion, the insurer's insurance liabilities reserves of the company were adequate as at 31 December 2017.



James I. O. Olubayi - Fellow of the Institute of Actuaries
23rd March 2018



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICEA LION GENERAL INSURANCE COMPANY LIMITED

Report on the audit of the financial statements

Our Opinion

We have audited the accompanying separate financial statements of ICEA LION General Insurance Company Limited (“the Company”) and the consolidated financial statements of the Company and its subsidiary (together, “the Group”) set out on pages 154 to 212, which each comprise a statement of financial position at 31 December 2017 and statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company at 31 December 2017 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.



INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF ICEA LION GENERAL INSURANCE COMPANY LIMITED *(continued)*

Key audit matter	How our audit addressed the matter
<p>Determination of outstanding claims provision</p> <p>Outstanding claims provision included in note 37 of the financial statements is made up of reported claims and incurred but not reported (“IBNR”) claims and was considered a matter of most significance to the current year audit for the following reasons:</p> <ul style="list-style-type: none"> • The estimation of the provisions involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred. • The valuation of these liabilities relies on the accuracy of claims data and the assumption that future claims development will follow a similar pattern to past claims development experience. • The magnitude of the outstanding claims provision balance (Shs 5,070 million) in relation to total liabilities of (Shs 8,988 million) at Group level. 	<p>Our testing approach included amongst others, the following procedures with the assistance of our actuarial specialists:</p> <ul style="list-style-type: none"> • Evaluating and testing the controls around the claim and settlement; • Evaluating managements’ review process of the provisions; • Comparing for a sample of claims the amounts as recorded in the claims systems to source documents; • Reviewing the reconciliation between the claims data and that used to calculate the reserves; • Considering the methodology and assumptions used by the Appointed Actuary and management in the estimation of reserves and assessing the methodologies applied against general accepted actuarial approaches, in relation to the business written and expected risks; and • Evaluating the ongoing validity of the assumptions by performing an actual versus expected analysis on prior year’s reserves to assess for any surpluses or shortfalls.

Other information

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

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

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.



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

Responsibilities of the directors of the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements 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.

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, but not 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.



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

- 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.



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

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 pages 145 to 146 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is Bernice Kimacia – Practising Certificate No. 1457.

A handwritten signature in blue ink, appearing to read 'Bernice Kimacia', is written over a light blue rectangular background.

Certified Public Accountants

Nairobi

28 March 2018

Consolidated and Company Statements of *Comprehensive Income*

	Notes	GROUP		COMPANY	
		2017 Ksh '000	2016 Ksh '000	2017 Ksh '000	2016 Ksh '000
Gross Written Premium	5(a)	6,451,009	7,428,804	6,103,330	6,304,587
Gross Earned Premiums	5(b)	6,808,516	7,279,330	6,378,836	6,089,314
Less: Reinsurance premiums ceded	5(c)	(2,906,071)	(3,243,386)	(2,640,926)	(2,264,738)
Net earned premiums		3,902,445	4,035,944	3,737,910	3,824,576
Commissions income	6	514,968	464,495	446,399	360,355
Investment income	7	1,003,902	849,039	956,135	799,664
Foreign exchange (losses)/gains	8	(6,628)	4,805	(1,661)	2,437
Total income		5,414,687	5,354,283	5,138,783	4,987,032
Claims expense	9	(2,245,931)	(2,398,505)	(2,200,520)	(2,310,662)
Commissions expense	10	(812,222)	(795,209)	(749,318)	(704,426)
Operating and other expenses	11	(1,317,413)	(1,731,491)	(1,144,728)	(1,564,670)
Total expenses		(4,375,566)	(4,925,205)	(4,094,566)	(4,579,758)
Profit before income tax		1,039,121	429,078	1,044,217	407,274
Income tax expense	13(a)	(241,740)	(100,215)	(242,370)	(94,125)
Profit for the year		797,381	328,863	801,847	313,149
Other comprehensive income net of tax; items that may subsequently be classified to profit or loss					
Exchange differences on translating net assets of foreign subsidiary		(5,970)	(11,427)	-	-
Change in fair value of available for sale equity instruments		171,770	(112,472)	170,129	(95,128)
Change in fair value of available for sale treasury bonds		20,772	7,029	20,772	7,029
Other comprehensive income/(loss) net of tax		186,572	(116,870)	190,901	(88,099)
Total comprehensive income for the year		983,953	211,993	992,748	225,050
Profit attributable to:					
Owners of the parent		799,480	321,478	801,847	313,149
Non-controlling interest		(2,099)	7,385	-	-
		797,381	328,863	801,847	313,149
Total comprehensive income attributable to:					
Owners of the parent		982,498	232,942	992,748	225,050
Non-controlling interest		1,455	(20,949)	-	-
		983,953	211,993	992,748	225,050
Earnings per share (Basic and Diluted)	15	15.99	6.43	16.04	6.26

The notes on pages 159 to 212 are an integral part of these financial statements.

Consolidated and Company Statements of *Financial Position*

	Notes	GROUP		COMPANY	
		2017 Ksh '000	2016 Ksh '000	2017 Ksh '000	2016 Ksh '000
ASSETS					
Investment properties	17	2,730,000	2,640,000	2,730,000	2,640,000
Property and equipment	18	140,521	153,037	130,202	141,591
Intangible assets	19	12,551	9,107	11,879	7,942
Investment in subsidiaries - at cost	20	-	-	50,147	50,147
Kenya motor insurance pool	21	91,231	97,053	91,231	97,053
Available-for-sale equity instruments	22	1,044,940	882,791	929,701	768,216
Receivables arising out of reinsurance arrangements	23	168,921	177,479	119,445	126,731
Receivables arising out of direct insurance arrangements	24	615,213	709,912	590,897	641,777
Reinsurers' share of technical provisions and reserves	25	2,786,438	2,401,686	2,634,282	2,182,909
Deferred acquisition costs	26	229,764	281,223	215,937	259,965
Other receivables	27	176,918	196,583	167,905	182,552
Current tax recoverable	13(d)	16,354	75,596	-	66,907
Due from subsidiary company	28	-	-	18,627	12,743
Government securities held to maturity	29(a)	4,329,004	3,609,417	4,246,555	3,445,311
Government securities available for sale	29(b)	395,760	655,344	395,760	655,344
Corporate bonds held to maturity	30	259,896	264,948	259,896	264,948
Deposits with financial institutions held to maturity	31	468,563	450,545	255,153	311,871
Deferred income tax	33(c)	12,054	10,513	-	-
Cash and bank balances		17,678	50,050	13,108	24,345
Total Assets		13,495,806	12,665,284	12,860,725	11,880,352
EQUITY AND LIABILITIES					
Ordinary shares	34	1,000,000	1,000,000	1,000,000	1,000,000
Available for sale reserve	35(a)	412,789	232,707	365,034	174,133
Contingency reserve	35(b)	40,505	67,122	-	-
Currency translation reserve	35(c)	(57,842)	(64,940)	-	-
Retained earnings	35(d)	2,821,239	2,196,284	2,748,506	2,146,659
Proposed dividends	19	150,000	150,000	150,000	150,000
		4,366,691	3,581,173	4,263,540	3,470,792
Non-controlling interests	36	140,788	142,353	-	-
Total Equity		4,507,479	3,723,526	4,263,540	3,470,792
LIABILITIES					
Outstanding claims provision	37	5,070,130	4,437,336	4,861,252	4,199,082
Deferred income tax	33(c)	484,447	471,116	484,447	471,116
Unearned premiums reserve	39	2,299,398	2,660,476	2,199,232	2,474,738
Payables arising from reinsurance arrangements	40	419,693	601,259	383,837	556,067
Deferred reinsurance commissions	41	153,862	183,331	142,640	164,578
Other payables	42	470,576	588,240	435,556	543,979
Current tax payable	13(d)	90,221	-	90,221	-
Total Liabilities		8,988,327	8,941,758	8,597,185	8,409,560
Total Equity and Liabilities		13,495,806	12,665,284	12,860,725	11,880,352

The financial statements on pages 154 to 212 were approved and authorised for issue by the board of directors on 23 March 2018 and were signed on its behalf by:

J.K. Muiruri
Director

J.K. Kimeu
Director

S.O. Oluoch
Principal Officer

Consolidated Statement of *Changes in Equity*

	Share capital Ksh '000	Available for sale reserve Ksh '000	Contingency reserve Ksh '000	Currency translation reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Non- controlling interest Ksh '000	Total Ksh '000
Balance at 1 January 2016	1,000,000	317,201	58,749	(53,513)	2,090,606	200,000	148,492	3,761,535
Profit for the year	-	-	-	-	321,478	-	7,385	328,863
Other comprehensive income for the year	-	(84,494)	-	(11,427)	-	-	(20,949)	(116,870)
Total comprehensive income for the year	-	(84,494)	-	(11,427)	321,478	-	(13,564)	211,993
Transfer from retained earnings to contingency reserve	-	-	8,373	-	(15,800)	-	7,425	(2)
Transactions with owners								
Dividends								
- 2015 final dividend paid	-	-	-	-	-	(200,000)	-	(200,000)
- 2016 interim dividend	-	-	-	-	(50,000)	-	-	(50,000)
- 2016 final dividend	-	-	-	-	(150,000)	150,000	-	-
At 31 December 2016	1,000,000	232,707	67,122	(64,940)	2,196,284	150,000	142,353	3,723,526
Balance at 1 January 2017	1,000,000	232,707	67,122	(64,940)	2,196,284	150,000	142,353	3,723,526
Profit for the year	-	-	-	-	799,480	-	(2,099)	797,381
Other comprehensive income for the year	-	180,082	(806)	7,098	1,616	-	(1,418)	186,572
Total comprehensive income	-	180,082	(806)	7,098	801,096	-	(3,517)	983,953
Transfer to retained earnings from contingency reserve	-	-	(25,811)	-	23,859	-	1,952	-
Dividends								
- 2016 final dividend	-	-	-	-	-	(150,000)	-	(150,000)
- 2017 interim dividend paid	-	-	-	-	(50,000)	-	-	(50,000)
- 2017 final dividend	-	-	-	-	(150,000)	150,000	-	-
Balance as at 31 December 2017	1,000,000	412,789	40,505	(57,842)	2,821,239	150,000	140,788	4,507,479

The notes on pages 159 to 212 are an integral part of these financial statements.

Company Statement of *Changes in Equity*

Balance at 1 January 2016

Profit for the year
Other comprehensive income

Total comprehensive income for the year

Transactions with owners

Dividends:

- 2015 final dividend paid
- 2016 interim dividend
- 2016 proposed dividend

Balance as at 31 December 2016

Balance at 1 January 2017

Profit for the year
Other comprehensive income

Total comprehensive income for the year

Dividends

- 2016 final dividend paid
- 2017 interim dividend
- 2017 proposed dividends

Balance as at 31 December 2017

Share capital Ksh '000	Available for sale reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Total Ksh '000
1,000,000	262,232	2,033,510	200,000	3,495,742
-	-	313,149	-	313,149
-	(88,099)	-	-	(88,099)
-	(88,099)	313,149	-	225,050
-	-	-	(200,000)	(200,000)
-	-	(50,000)	-	(50,000)
-	-	(150,000)	150,000	-
1,000,000	174,133	2,146,659	150,000	3,470,792
1,000,000	174,133	2,146,659	150,000	3,470,792
-	-	801,847	-	801,847
-	190,901	-	-	190,901
-	190,901	801,847	-	992,748
-	-	-	(150,000)	(150,000)
-	-	(50,000)	-	(50,000)
-	-	(150,000)	150,000	-
1,000,000	365,034	2,748,506	150,000	4,263,540

The notes on pages 159 to 212 are an integral part of these financial statements.

Consolidated & Company Statement of *Cash Flows*

	GROUP		COMPANY		
Notes	2017 Ksh '000	2016 Ksh '000	2017 Ksh '000	2016 Ksh '000	
Cash flows from operating activities					
Cash (used in)/generated from operations	45(a)	(175,105)	664,149	(119,965)	677,071
Income tax paid	13(c)	(80,708)	(48,377)	(71,912)	(31,746)
Net cash generated from/(used in) operating activities		(255,813)	615,772	(191,877)	645,325
Cash flows from investing activities					
Purchase of property and equipment	18	(26,977)	(47,891)	(24,298)	(38,019)
Proceeds from sale of property and equipment		310	12,707	310	12,707
Refund of proceeds from sale of motor vehicle		(1,800)	-	(1,800)	-
Overstated gain on disposal		(350)	-	(350)	-
Purchase of intangible assets	19	(11,837)	(12,134)	(11,670)	(10,824)
Net movement in government securities		(403,183)	(1,059,381)	(450,564)	(1,079,862)
Proceeds from sale of equity instruments available for sale		8,643	27,031	8,643	27,031
Purchase of equity instruments available for sale	22	-	(46,496)	-	(46,496)
Net purchases/maturities of corporate bonds		5,052	38,853	5,052	38,853
Net investment in deposits maturing after 3 months		(86,067)	46,776	-	(51,585)
Interest income	7	609,321	508,167	572,687	467,315
Rental income	7	217,793	196,198	217,793	196,198
Dividend income	7	45,896	55,916	39,707	50,569
Net cash generated from/(used in) investing activities		356,801	(280,254)	355,510	(434,113)
Dividends paid to shareholders of parent company	16	(200,000)	(250,000)	(200,000)	(250,000)
Net increase/(decrease) in cash and cash equivalents		(99,012)	85,518	(36,367)	(38,788)
Cash and cash equivalents at beginning of year		506,812	446,843	336,216	375,004
Effect of exchange rate changes on translation of cash and cash equivalents		(4,058)	(25,549)	-	-
Cash and cash equivalents at year end	45(b)	403,742	506,812	299,849	336,216

The notes on pages 159 to 212 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

ICEA LION General Insurance Company Limited (the "Company") transacts general insurance business and is incorporated in Kenya under the Companies Act as a private limited liability company. The Company is domiciled in Kenya and the address of its registered office is:

**ICEA LION Centre
Chiromo Road
PO Box 30190,00100
Nairobi**

For the Kenyan Companies Act 2015 reporting purposes, the balance sheet is presented by statement of financial position and the profit and loss account is presented by the statement of comprehensive income.

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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for investment properties, and available for sale 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 the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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

1.1. Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes. As the Group does not have liabilities arising from financial activities the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual improvements to IFRSs 2014-2016 Cycle

The group has applied the amendments to IFRS 12 included in the Annual improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

IFRS 12 states that an entity need not provide summarized information for interests in subsidiaries, associated or joint ventures that are classified, or included in a disposal group that is classified, as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued) Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Standard	Effective date
IFRS 9 - Financial Instruments	1 January 2018 with earlier application permitted
IFRS 17 – Insurance Contracts	1 January 2021
IFRS 15 - Revenue from Contracts with Customers (and the related Clarifications)	1 January 2018 with earlier application permitted
IFRS 16 - Leases	1 January 2019 with earlier application permitted
Amendments to IAS 40 - Transfer of Investment Property	1 January 2018 with earlier application permitted
Amendments to IFRSs - Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2018 with earlier application permitted
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	1 January 2018 with earlier application permitted

IFRS 9 Financial Instruments

IFRS 9 – Financial Instruments came into effect from 1st January 2018 replaces IAS 39 – Financial Instrument: Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets
Key requirements of IFRS 9:

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are 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 outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling

financial assets, and that have contractual terms that give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI.

All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented as profit or loss.

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, the expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on an initial analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the group have made an initial assessment of the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement

- Government Securities, corporate bonds and deposits with financial institutions held-to-maturity investments at amortized cost these are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, the directors intention is that these financial assets will continue to be measured at amortized cost upon the application of IFRS 9;
- Government Securities classified as available-for-sale investments carried at fair value are held with a business model whose objective is achieved both by collecting contractual cash flows and selling the instruments in the open market, and the instruments contractual terms give rise to cash flows on specific dates that are solely

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued) Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.2 New and revised IFRSs in issue but not yet effective (continued)

payments of principal and interest on the principal outstanding. Accordingly, the directors intention is to continue measuring these instruments at FVTOCI upon the application of IFRS ,and their fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the Government Securities are derecognized or reclassified;

- Available for Sale Equity instruments classified as available-for-sale investments carried at fair value should be classified as FVTPL but the directors have an intention to make an irrevocable decision to classify part of these shares at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS9, which is different from the current treatment. This will affect the amounts recognized in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income;
- All other financial assets and liabilities will continue to be measured at amortised cost.

Impairment

Financial assets measured at amortized cost and FVTOCI under IFRS 9 will be subject to the impairment provision of IFRS 9.

The group expects to apply the simplified approach to recognize lifetime expected credit losses for its receivables arising out of reinsurance arrangements and receivables arising out of direct insurance arrangements as required or permitted by IFRS 9. As regards the Government Securities measured at amortized cost as disclosed in note 29, the directors of the Company consider that they have low credit risk given their strong external credit rating and hence expect to recognize 12-month expected credit losses for these items. In relation to the amounts due from related parties (note 47) the directors have assessed that the credit risk of the amounts due from related parties is minimal, accordingly, the directors expect to recognize 12-month expected credit losses.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognized for these items.

IFRS 17-Insurance Contracts

The IASB issued IFRS 17, 'Insurance Contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard IFRS 4, allows insurers to

use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are re-measured on a current basis each reporting period. The unearned profit (contractual service margin) is recognized over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognized in profit or loss in the period in which they occur but over the remaining life in the contract.

The directors anticipate that the application of IFRS 17 will have a significant impact on the financial position and/or financial performance of the Group and are in the process of assessing the impact of its application.

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:

- 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued) Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.2 New and revised IFRSs in issue but not yet effective (continued)

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 directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

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 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.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

Annual Improvements to IFRSs 2014 – 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Group. The package also includes amendments to IFRS 12 which is mandatorily effective for the Group in the current year.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of the amendments in the future will have any impact on the Group's consolidated financial statements as the Group is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Group does not have any associate or joint venture that is an investment entity.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued) Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.2 New and revised IFRSs in issue but not yet effective (continued)

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 Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements. 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.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and the entities controlled by the Company and its subsidiaries. Control is achieved when the company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

i) Subsidiaries

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the

practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including;

- The size of the Company's holding of voting relative to the size and dispersion of holdings of other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the Company ceases control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The consolidated financial statements incorporate the financial statements of the company and its subsidiary ICEA LION General Insurance Company (Tanzania) Limited made up to 31 December.

(ii) Investment in subsidiary companies

In the separate financial statements, investments in subsidiaries are accounted for at cost.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(continued)**

(c) Kenya Motor Insurance 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) Revenue recognition

Premium revenue is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the end of each reporting period, and are calculated using the 365th basis for all classes of business.

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

Investment income is stated net of investment expenses. Interest income for all interest bearing financial instruments is recognised using the effective interest rate method. Dividends income on available for sale equities is recognised as income in the period in which the right to receive payment is established. Rental income is recognised as income in the period in which it is earned.

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.

(e) Reinsurance

The Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as income in the same manner as they would be if the reinsurance were considered direct business. Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated statement of comprehensive income and statement of financial position as appropriate.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the group will receive from the reinsurer. The impairment loss is recognized in the statement of comprehensive income.

Ceded reinsurance arrangements do not relieve the group from its obligations to policyholders. The group also assumes reinsurance risk in the normal course of business for non-life insurance contracts. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(f) Commissions payable and deferred acquisition costs

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

(g) Customer contracts

Payments made by the Company to acquire an Insurance portfolio are capitalised as an intangible asset and amortized over a period of 5 years.

(h) Claims incurred

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 provisions represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the end of each reporting period, but not settled at that date, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Outstanding claims provisions

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(continued)**

(h) Claims incurred (continued)

are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the group's experience but subject to the minimum percentage set by the Commissioner of Insurance.

(i) Unearned premium reserve

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract at which time it is recognised as premium income.

(j) Foreign currency translation

(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 ("Ksh") rounded to the nearest thousand, 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 profit or loss in the year in which they arise.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Kenya shillings, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

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.

(k) Retirement benefit obligations

The Group operates two defined contribution pension schemes for its employees. The assets of these schemes are held in separate trustee administered funds. The schemes are funded by contributions from both the employees and the employer. Contributions are determined by the rules of the schemes.

The group also contributes to the statutory defined contribution pension schemes, the National Social Security Fund (NSSF) in Kenya and Tanzania. Contributions to these schemes are determined by local statute.

The Group's obligations to retirement benefits schemes are charged to profit or loss as they fall due. There is no further obligation to the group.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Deferred income tax (continued)

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 unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

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.

(m) Investment properties

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

(n) Dividends payable

Dividends payable on ordinary shares are charged to equity in the period in which they are declared. Dividends declared after the reporting date are not recognised as liabilities at the end of each reporting period.

Proposed dividends are shown as a separate component of equity.

(o) Property and equipment

All property and equipment are initially recorded at cost. These are stated at historical cost less accumulated depreciation and less any accumulated impairment losses.

Depreciation

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life at the following rates:

Buildings	4%
Furniture, fixtures and fittings and office equipment	12.5% - 20%
Motor vehicles	25%
Computer equipment	25%
Software	33.3%

Property and equipment is periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognised in the statement of comprehensive income.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts.

(p) 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.

(q) Leases

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

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

i) The group as lessor

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

ii) The group as lessee

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial assets

Classification

The group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification adopted for a particular financial asset depends on the purpose for which the asset was acquired. Management determines the classification of its financial asset at initial recognition and re-evaluates this at every reporting date.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognized in the profit or loss.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with measurable or determinable payments that are not quoted in an active market. Receivables arising from insurance and reinsurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

iii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

- those that the Group upon initial recognition designates as at fair value through profit or loss;

- those that the Group designates as available for sale; and
- those that meet the definition of loans and receivables

Interest on held-to-maturity investments are included in the consolidated statement of profit or loss and are reported as 'Interest and similar income'. In the case of an impairment, it is been reported as a deduction from the carrying value of the investment and recognised in the consolidated statement of profit or loss as 'Net gains /(losses) on investment securities'. Held-to-maturity investments are stated at amortised cost and include corporate bonds and some government securities.

Recognition and measurement

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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the group's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 exchange (NSE). The quoted market price used for financial assets held by the group is the current bid price.

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

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

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

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:

Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may 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 has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and

receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Derecognition of financial assets

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

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(s) Financial liabilities and equity instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(u) Impairment of non-financial assets

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

(v) 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 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key assumptions concerning the future and other sources of estimation uncertainty that directors have made in applying the group's accounting policies:

Outstanding claim reserves and unearned premium reserve

Delays can be experienced in the notification and settlement of certain types of claims and therefore the ultimate cost of this category of claims cannot be known with certainty at the end of each reporting period. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The Group uses the Basic Chain Ladder techniques and the Bornhuetter-Ferguson Method, dependent on the class of business being projected, to estimate the ultimate cost of claims and the IBNR. These techniques/methods are used as they are appropriate for mature classes of business that have relatively stable development patterns. 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 claims cost for each year. The development of insurance liabilities provides a measure of the group's ability to estimate the ultimate value of claims. In order to compute the Net Incurred But not Reported (IBNR) a reinsurance recovery rate is determined.

The key variable used in determining IBNR and outstanding claim reserves is the value of claims where actual claims incurred may differ from historical claims incurred.

The table below summarises the impact of the change to the value of claims on the financial positions.

GROUP

		31 December 2017		31 December 2016	
	% change	Impact on outstanding claim reserves Kshs'000	Impact on profit before tax Kshs'000	Impact on outstanding claim reserves Kshs'000	Impact on profit before tax Kshs'000
Value of claims	1%	50,701	34,477	44,373	32,836

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

COMPANY

	% change	31 December 2017		31 December 2016	
		Impact on outstanding claim reserves Kshs'000	Impact on profit before tax Kshs'000	Impact on outstanding claim reserves Kshs'000	Impact on profit before tax Kshs'000
Value of claims	1%	48,613	33,543	41,991	28,974

Receivables

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

Premiums outstanding under the following categories will be considered doubtful:

- Debts over one year owed by direct clients.
- Debts being pursued by lawyers.
- Debts that are owed by debtors who have closed down.
- Balances owed by debtors who cannot be traced.
- Balances owed by debtors who have passed on.
- Premium balances that are disputed.

Consideration will also be given to historical assessment of the debt and the past efforts made to collect.

Analysis of the receivables ageing and impairment provisions have been disclosed in Notes 23 and 24.

Valuation of investment properties

The market valuation is on investment basis subject to Leasehold considerations and the existing tenancies. The valuation also reflects the highest and best use.

SENSITIVITY ANALYSIS

The effects of changes in gross annual rental and yield will have the following effect on the fair value of the properties:-

GROUP AND COMPANY

		31 December 2017	31 December 2016
	% change	Impact on profit before tax Kshs'000	Impact on profit before tax Kshs'000
Gross annual rental	+5%	136,500	132,000
Gross annual rental	-5%	(136,500)	(132,000)
Rate of return	+2.5%	(6,000)	30,000
Rate of return	-2.5%	(171,000)	(132,000)

4 RISK MANAGEMENT

Governance framework

The primary objective of the group's risk and financial management framework is to protect the group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place. The group has a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to management.

Management of Insurance and financial risk

The group's activities expose it to a variety of risks. The group classifies the various risks it is exposed to into insurance risk and financial risk. Financial risks include credit risk, liquidity risk and market risk. Market risk includes the effect of changes in equity market prices, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets, identification and management of risks. It seeks to minimise potential adverse effects on its financial performance by use of underwriting guidelines and capacity limits, reinsurance planning, credit

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4 RISK MANAGEMENT *(continued)*

policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsurers. The group has put in place investment policies which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

(i) Insurance risk

Insurance risk in the group arises from:

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

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

Core insurance risk

This risk is managed through:

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

Reinsurance planning

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

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

Claims reserving

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

Short-term insurance contracts

The Group principally issues the following types of general insurance contracts: Aviation, engineering, fire, liability, marine, motor, personal accident, theft, workmen compensation and various miscellaneous general risk classes. The risks under these policies usually cover twelve months duration.

These risks on these contracts do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group.

The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. earthquakes and flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

The table below sets out the concentration of insurance exposure by the main classes of business in which the company operates. The amounts are the carrying amounts of the sum insured (gross and net of reinsurance) arising from insurance contracts.

GROUP

31 December 2017

		Ksh '000	Ksh'000	Ksh'000	Ksh'000
		Below 20m	20m to 50m	Over 50 million	Total
Aviation	Gross	1,241,034	460,610	699,545,429	701,247,073
	Net	125,938	27,941	7,114,946	7,268,825
Engineering	Gross	4,203,640	3,229,453	48,224,316	55,657,409
	Net	4,101,943	3,144,557	15,483,887	22,730,387
Fire Domestic	Gross	41,233,351	36,931,901	78,842,656	157,007,908
	Net	41,096,738	36,825,276	58,098,717	136,020,731
Fire Industrial	Gross	41,605,441	47,993,804	1,377,968,504	1,467,567,749
	Net	25,856,914	34,935,667	318,938,569	379,731,150
Liability	Gross	7,736,913	5,166,488	204,196,611	217,100,012
	Net	6,667,094	4,091,411	29,139,374	39,897,879
Marine	Gross	2,909,041	1,733,384	22,984,342	27,626,767
	Net	2,769,784	1,309,409	14,406,388	18,485,581
Medical and miscellaneous	Gross	16,568,500	7,794,445	15,657,867	40,020,812
	Net	1,868,612	824,378	1,158,589	3,851,579
Motor Commercial	Gross	8,121,127	2,155,849	7,717,611	17,994,587
	Net	8,071,453	2,155,849	7,578,116	17,805,418
Motor Private	Gross	28,107,700	3,240,890	8,778,345	40,126,935
	Net	27,844,234	3,203,122	8,696,031	39,743,387
Personal Accident	Gross	4,813,864	10,104,643	57,243,862	72,162,369
	Net	4,709,463	9,752,415	27,342,796	41,804,674
Theft	Gross	10,801,396	5,720,685	57,406,976	73,929,057
	Net	10,780,266	5,712,734	56,976,081	73,469,081
Workmen's Compensation	Gross	3,684,483	35,276,862	55,425,998	94,387,343
	Net	3,680,080	35,177,362	52,446,411	91,303,853
Oil and Gas	Gross	133,687	416,348	1,090,249	1,640,284
	Net	109,074	146,247	499,961	755,282
31 December 2017		Gross	171,160,177	160,225,362	2,635,082,766
		Net	137,681,593	137,306,368	597,879,866
					872,867,827

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

GROUP

31 December 2016

		Ksh '000	Ksh'000	Ksh'000	Ksh'000
		Below 20m	20m to 50m	Over 50 million	Total
Aviation	Gross	1,170,530	822,180	951,180,034	953,172,744
	Net	134,087	59,746	17,847,676	18,041,509
Engineering	Gross	3,926,669	3,054,385	239,634,092	246,615,146
	Net	3,829,581	2,880,438	12,806,106	19,516,125
Fire Domestic	Gross	41,920,791	36,154,588	77,321,189	155,396,568
	Net	41,780,420	36,002,874	53,545,244	131,328,538
Fire Industrial	Gross	40,933,709	46,699,657	1,344,517,495	1,432,150,861
	Net	24,437,913	35,139,634	280,319,827	339,897,374
Liability	Gross	7,860,418	5,477,013	186,502,841	199,840,272
	Net	6,768,961	4,628,038	20,019,008	31,416,007
Marine	Gross	2,036,365	1,873,452	21,932,309	25,842,126
	Net	1,868,391	1,184,998	12,814,742	15,868,131
Medical and miscellaneous	Gross	6,369,274	3,860,297	7,612,728	17,842,299
	Net	865,016	424,438	405,686	1,695,140
Motor Commercial	Gross	11,213,629	2,433,046	10,048,523	23,695,198
	Net	11,111,563	2,367,270	9,463,122	22,941,955
Motor Private	Gross	35,187,485	3,889,954	14,495,021	53,572,460
	Net	34,752,030	3,827,444	13,905,616	52,485,090
Personal Accident	Gross	4,851,997	9,274,657	26,106,403	40,233,057
	Net	4,798,114	8,987,793	14,428,421	28,214,328
Theft	Gross	10,443,719	6,600,335	58,986,159	76,030,213
	Net	10,368,853	6,540,131	55,774,030	72,683,014
Workmen's Compensation	Gross	2,274,428	17,611,593	16,426,800	36,312,821
	Net	2,258,916	17,607,003	15,165,628	35,031,547
Gross		168,189,014	137,751,157	2,954,763,594	3,260,703,765
Net		142,973,845	119,649,807	506,495,106	769,118,758

31 December 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

COMPANY

31 December 2017

		Ksh '000	Ksh'000	Ksh'000	Ksh'000
		Below 20m	20m to 50m	Over 50 million	Total
Aviation	Gross	1,241,034	460,610	699,545,429	701,247,073
	Net	125,938	27,941	7,114,946	7,268,825
Engineering	Gross	3,741,141	2,988,822	39,569,529	46,299,492
	Net	3,676,571	2,923,626	12,323,377	18,923,574
Fire Domestic	Gross	40,536,745	36,398,459	78,112,670	155,047,874
	Net	40,469,792	36,345,179	57,441,729	134,256,700
Fire Industrial	Gross	40,773,196	46,780,832	1,305,797,409	1,393,351,437
	Net	25,126,230	33,833,036	307,693,332	366,652,598
Liability	Gross	7,566,866	4,820,704	202,539,262	214,926,832
	Net	6,511,243	3,791,526	28,570,864	38,873,633
Marine	Gross	2,730,906	1,498,875	19,876,467	24,106,248
	Net	2,618,728	1,206,563	12,398,200	16,223,491
Medical and miscellaneous classes	Gross	16,413,644	7,666,673	14,783,141	38,863,458
	Net	1,846,491	812,878	1,148,298	3,807,667
Motor Commercial	Gross	7,675,734	2,155,849	6,466,408	16,297,991
	Net	7,674,788	2,155,849	6,466,408	16,297,045
Motor Private	Gross	26,002,399	3,026,284	7,852,292	36,880,975
	Net	26,000,568	3,026,284	7,852,292	36,879,144
Personal Accident	Gross	4,229,742	9,882,506	56,404,815	70,517,063
	Net	4,187,921	9,549,791	26,758,501	40,496,213
Theft	Gross	10,733,205	5,668,749	57,355,522	73,757,476
	Net	10,718,895	5,665,992	56,929,772	73,314,659
Workmen's Compensation	Gross	3,684,483	35,276,862	54,396,909	93,358,254
	Net	3,680,080	35,177,362	52,446,411	91,303,853
31 December 2017		Gross	165,329,095	156,625,225	2,542,699,853
		Net	132,637,245	134,516,027	577,144,130
					844,297,402

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

COMPANY

31 December 2016

		Ksh '000	Ksh'000	Ksh'000	Ksh'000
		Below 20m	20m to 50m	Over 50 million	Total
Aviation	Gross	1,155,894	796,045	670,122,880	672,074,819
	Net	134,087	59,746	17,847,676	18,041,509
Engineering	Gross	3,573,264	2,730,678	41,925,263	48,229,205
	Net	3,508,992	2,589,899	9,729,693	15,828,584
Fire Domestic	Gross	41,251,120	35,407,454	76,724,435	153,383,009
	Net	41,179,805	35,330,454	53,029,522	129,539,781
Fire Industrial	Gross	40,014,699	45,411,701	1,278,465,196	1,363,891,596
	Net	23,632,840	34,021,219	268,397,001	326,051,060
Liability	Gross	7,669,702	5,148,500	180,794,401	193,612,603
	Net	6,615,599	4,360,602	19,244,915	30,221,116
Marine	Gross	1,887,418	1,491,051	16,874,661	20,253,130
	Net	1,743,697	1,020,104	10,243,878	13,007,679
Medical and miscellaneous classes	Gross	6,246,560	3,681,913	6,657,795	16,586,268
	Net	845,355	408,151	393,292	1,646,798
Motor Commercial	Gross	10,502,031	2,184,080	6,604,271	19,290,382
	Net	10,501,658	2,184,080	6,463,981	19,149,719
Motor Private	Gross	32,207,578	3,541,139	8,348,175	44,096,892
	Net	32,206,717	3,541,139	8,348,175	44,096,031
Personal Accident	Gross	4,655,866	8,848,013	24,948,027	38,451,906
	Net	4,647,490	8,831,013	14,182,480	27,660,983
Theft	Gross	9,859,954	6,285,254	53,669,658	69,814,866
	Net	9,852,655	6,256,558	52,994,533	69,103,746
Workmen's Compensation	Gross	2,107,167	17,590,685	15,269,958	34,967,810
	Net	2,107,167	17,588,185	14,169,958	33,865,310
31 December 2016		Gross	161,131,253	133,116,513	2,380,404,720
		Net	136,976,062	116,191,150	475,045,104
					728,212,316

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

The geographical concentration of the Group's sum insured is disclosed below. The disclosure is based on the countries where the business is written.

	Gross Sum insured Ksh'000	Reinsurance Share Ksh'000	Net Sum insured Ksh'000
31 December 2017			
Kenya	2,864,654,175	2,020,356,775	844,297,400
Tanzania	101,814,131	73,243,706	28,570,425
Total	2,966,468,306	2,093,600,481	872,867,825
31 December 2016			
Kenya	2,674,652,487	1,946,440,171	728,212,316
Tanzania	586,052,649	545,144,875	40,906,774
Total	3,260,704,136	2,491,585	769,119,090

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4 RISK MANAGEMENT *(continued)*

Management of Insurance and financial risk *(continued)*

(ii) Financial risks

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risks, equity price risk and foreign exchange currency risk. The sensitivity analyses presented below are based on a change in one assumption while holding all other assumptions constant.

(i) Foreign exchange 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 2017, if the Kenya shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the group profit before tax for the year would have been Ksh (331,380) (2016: Ksh 240,228) higher/lower, mainly as a result of US dollar denominated deposits with financial institutions in Kenya and in Tanzania.

At 31 December 2017, if the Kenya shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the company profit before tax for the year would have been Ksh (83,077) (2016: Ksh 121,880) higher/lower, mainly as a result of US dollar denominated deposits with financial institutions in Kenya and in Tanzania.

(ii) Interest rate risk

The group is exposed to the risk that the level of interest income and in effect the cash flows will fluctuate due to changes in market interest rates. To manage this, the group ensures that the investment maturity profiles are well spread.

An increase/decrease of 5 percentage points in interest yields would result in an increase/(decrease) in the group profit before tax for the year by Ksh 30,466,019 (2016: Ksh 25,480,776).

An increase/decrease of 5 percentage points in interest yields would result in an increase/(decrease) in the company profit before tax for the year by Ksh 28,630,496 (2016: 23,470,475).

(iii) Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The group is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities Exchange and on the Dar-es-Salaam Stock Exchange which are classified as available for sale financial assets. Exposure to equity price risk in aggregate is monitored in order to ensure compliance

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4 RISK MANAGEMENT *(continued)*

Management of Insurance and financial risk *(continued)*

(i) Financial risks *(continued)*

a) Market risk *(continued)*

(iii) Equity price risk *(continued)*

with the relevant regulatory limits for solvency purposes.

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

At 31 December 2017, if equity market indices had increased/decreased by 5%, with all other variables held constant, the group other comprehensive income for the year would increase/decrease by Ksh 52,247,013 (2016: Ksh 44,139,529).

At 31 December 2017, if equity market indices had increased/decreased by 5%, with all other variables held constant, the company other comprehensive income for the year would increase/decrease by Ksh 46,485,074 (2016: Ksh 38,410,776).

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the group by failing to discharge a contractual obligation. The following policies and edures are in place to mitigate the group's exposure to credit risk:

- Net exposure limits are set for each counterparty or group of counterparties i.e. limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held.
- Reinsurance is placed with counterparties that have a good credit rating
- Ongoing monitoring by the management credit committee.

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. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. The table below shows the carrying amounts of financial assets bearing credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4 RISK MANAGEMENT *(continued)*

Management of Insurance and financial risk *(continued)*

(i) Financial risks *(continued)*

(b) Credit risk *(continued)*

GROUP

31 December 2017

Receivable arising out of direct insurance arrangements
Provision for impairment

Receivable arising out of reinsurance arrangements
Government securities held to maturity
Government securities available for sale
Corporate bonds held to maturity
Deposits with financial institutions held to maturity
Other receivables
Cash and bank balances

31 December 2016

Receivable arising out of direct insurance arrangements
Provision for impairment

Receivable arising out of reinsurance arrangements
Government securities held to maturity
Government securities available for sale
Corporate bonds held to maturity
Deposits with financial institutions held to maturity
Provision for impairment
Other receivables
Cash and bank balances

	Fully performing	Past due but not impaired	Impaired	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
	449,268	165,946	319,370	934,583
	-	-	(319,370)	(319,370)
	449,268	165,946	-	615,213
	22,469	162,324	(15,872)	168,921
	4,329,004	-	-	4,329,004
	395,760	-	-	395,760
	259,896	-	-	259,896
	414,872	38,697	14,994	468,563
	176,918	-	-	176,918
	17,678	-	-	17,678
	6,065,865	366,967	(878)	6,431,954
	502,971	206,941	277,107	987,019
	-	-	(277,107)	(277,107)
	502,971	206,941	-	709,912
	33,813	148,867	(5,201)	177,479
	3,609,417	-	-	3,609,417
	655,344	-	-	655,344
	264,948	-	-	264,948
	450,545	-	53,691	504,236
	-	-	(53,691)	(53,691)
	196,583	-	-	196,583
	50,050	-	-	50,050
	5,763,671	355,808	(5,201)	6,114,278

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Financial risks (continued)

(b) Credit risk (continued)

COMPANY

31 December 2017

Receivable arising out of direct insurance arrangements

Provision for impairment

Receivable arising out of reinsurance arrangements

Government securities held to maturity

Government securities available for sale

Corporate bonds held to maturity

Deposits with financial institutions held to maturity

Other receivables

Cash and bank balances

31 December 2016

Receivable arising out of direct insurance arrangements

Provision for impairment

Receivable arising out of reinsurance arrangements

Government securities held to maturity

Government securities available for sale

Corporate bonds held to maturity

Deposits with financial institutions held to maturity

Provision for impairment

Other receivables

Cash and bank balances

	Fully performing Ksh'000	Past due but not impaired Ksh'000	Impaired Ksh'000	Total Ksh'000
	449,268	141,629	307,638	898,535
	-	-	(307,638)	(307,638)
	449,268	141,629	-	590,897
	22,469	104,360	(7,384)	119,445
	4,246,555	-	-	4,246,555
	395,760	-	-	395,760
	259,896	-	-	259,896
	201,462	38,697	14,994	255,153
	167,905	-	-	167,905
	13,108	-	-	13,108
	5,756,423	284,686	7,610	6,048,719
	453,070	188,707	264,364	906,141
	-	-	(264,364)	(264,364)
	453,070	188,707	-	641,777
	22,370	104,361	-	126,731
	3,445,311	-	-	3,445,311
	655,344	-	-	655,344
	264,948	-	-	264,948
	311,871	-	53,691	365,562
	-	-	(53,691)	(53,691)
	182,552	-	-	182,552
	24,345	-	-	24,345
	5,359,811	293,068	-	5,652,879

The debt that is past due and not impaired continues to be paid.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has developed and put in place an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Financial risks (continued)

(c) Liquidity risk (continued)

The table below analyses the group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

GROUP

31 December 2017

Assets

	1 year Kshs'000	2 years Kshs'000	3-5 years Kshs'000	5 years Kshs'000	Total Kshs'000
Available for sale equity instruments	1,044,940	-	-	-	1,044,940
Government Securities held to maturity	754,377	763,709	2,450,991	3,977,250	7,946,328
Government Securities available for sale	440,560	44,800	132,748	186,902	805,011
Corporate bonds held to maturity	33,555	131,626	168,763	-	333,944
Deposits with financial institutions	468,563	-	-	-	468,563
Receivables arising out of reinsurance arrangements	168,921	-	-	-	168,921
Receivables arising out of direct insurance arrangements	615,213	-	-	-	615,213
Other receivables	176,918	-	-	-	176,918
Total assets	3,703,047	940,135	2,752,502	4,164,154	11,559,838
Outstanding claims provision	5,070,130	-	-	-	5,070,130
Payables arising from reinsurance arrangements	419,693	-	-	-	419,693
Other payables	464,410	-	-	-	464,410
Total liabilities	5,954,233	-	-	-	5,954,233
Liquidity gap	(2,251,186)	940,135	2,752,502	4,164,154	5,605,605

31 December 2016

Assets

	1 year Kshs'000	2 years Kshs'000	3-5 years Kshs'000	5 years Kshs'000	Total Kshs'000
Available for sale equity instruments	882,791	-	-	-	882,791
Government Securities held to maturity and available for sale	669,219	1,353,099	1,368,320	3,411,403	6,802,041
Corporate bonds held to maturity	252,617	706,112	319,875	-	1,278,604
Deposits with financial institutions	450,545	-	-	-	450,545
Receivables arising out of reinsurance arrangements	177,479	-	-	-	177,479
Receivables arising out of direct insurance arrangements	709,912	-	-	-	709,912
Other receivables	196,583	-	-	-	196,583
Total assets	3,339,146	2,059,211	1,688,195	3,411,403	10,497,955
Outstanding claims provision	4,437,336	-	-	-	4,437,336
Payables arising from reinsurance arrangements	601,259	-	-	-	601,259
Other payables	588,240	-	-	-	588,240
Total liabilities	5,626,835	-	-	-	5,626,835
Liquidity gap	(2,287,689)	2,059,211	1,688,195	3,411,403	4,871,120

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Financial risks (continued)

(c) Liquidity risk (continued)

COMPANY

31 December 2017

Assets

Available for sale equity instruments	929,701	-	-	-	929,701
Government Securities held to maturity	754,378	763,709	2,434,309	3,911,483	7,863,879
Government Securities available for sale	440,560	44,800	132,748	186,903	805,011
Corporate bonds held to maturity	33,555	131,626	168,763	-	333,944
Deposits with financial institutions	255,153	-	-	-	255,153
Receivables arising out of reinsurance arrangements	119,445	-	-	-	119,445
Receivables arising out of direct insurance arrangements	590,897	-	-	-	590,897
Other receivables	167,905	-	-	-	167,905

Total assets

	1 year Kshs'000	2 years Kshs'000	3-5 years Kshs'000	5 years Kshs'000	Total Kshs'000
Total assets	3,291,594	940,135	2,735,820	4,098,386	11,065,935
Outstanding claims provision	4,861,252	-	-	-	4,861,252
Payables arising from reinsurance arrangements	383,837	-	-	-	383,837
Other payables	429,390	-	-	-	429,390
Total liabilities	5,674,479	-	-	-	5,674,479
Liquidity gap	(2,382,885)	940,135	2,735,820	4,098,386	5,391,456

Total liabilities

Liquidity gap

31 December 2016

Assets

Available for sale equity instruments	768,216	-	-	-	768,216
Government Securities held to maturity and available for sale	608,920	1,353,099	1,347,687	3,328,229	6,637,935
Corporate bonds held to maturity	252,617	706,112	319,875	-	1,278,604
Deposits with financial institutions	311,871	-	-	-	311,871
Receivables arising out of reinsurance arrangements	126,731	-	-	-	126,731
Receivables arising out of direct insurance arrangements	641,777	-	-	-	641,777
Other receivables	182,552	-	-	-	182,552

Total assets

Outstanding claims provision	4,199,082	-	-	-	4,199,082
Payables arising from reinsurance arrangements	556,067	-	-	-	556,067
Other payables	543,979	-	-	-	543,979

Total liabilities

Liquidity gap

	1 year Kshs'000	2 years Kshs'000	3-5 years Kshs'000	5 years Kshs'000	Total Kshs'000
Total assets	2,892,684	2,059,211	1,667,562	3,328,229	9,947,686
Total liabilities	5,299,128	-	-	-	5,299,128
Liquidity gap	(2,406,444)	2,059,211	1,667,562	3,328,229	4,648,558

The liquidity gap on 1 year is adequately covered by cash flows from day to day operations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued) Management of Insurance and financial risk (continued) (ii) Financial risks (continued) (d) Fair value hierarchy

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Nairobi Securities Exchange ("NSE") equity investments and government bonds classified as available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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).

The following table presents the Group's financial assets and liabilities measured at fair value at 31 December 2017 and 31 December 2016.

GROUP

31 December 2017

Available for sale

- Equity instruments
- Government bonds
- Investment Property

Level 1 Ksh'000	Level 2 Ksh'000	Total Ksh'000
1,044,940	-	1,044,940
395,760	-	395,760
-	2,730,000	2,730,000
1,440,700	2,730,000	4,170,700

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(e) Fair value hierarchy (continued)

GROUP

31 December 2016

- Available for sale
- Equity instruments
 - Government bonds
 - Investment Property

Level 1 Ksh'000	Level 2 Ksh'000	Total Ksh'000
882,791	-	882,791
655,344	-	655,344
-	2,640,000	2,640,000
1,538,135	2,640,000	4,178,135

COMPANY

31 December 2017

- Available for sale
- Equity instruments
 - Government bonds
 - Investment Property

Level 1 Ksh'000	Level 2 Ksh'000	Total Ksh'000
929,701	-	929,701
395,760	-	395,760
-	2,730,000	2,730,000
1,325,461	2,730,000	4,055,461

31 December 2016

- Available for sale
- Equity instruments
 - Government bonds
 - Investment Property

Level 1 Ksh'000	Level 2 Ksh'000	Total Ksh'000
768,216	-	768,216
655,344	-	655,344
-	2,640,000	2,640,000
1,423,560	2,640,000	4,063,560

There were no transfers between levels 1 and 2 during the year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4 RISK MANAGEMENT *(continued)* **Management of Insurance and financial risk *(continued)*** **(iii) Capital risk management**

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- Allocation of capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- Aligning the profile of assets and liabilities taking account of risks inherent in the business.
- Maintaining financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- Maintaining strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders value.

The operations of the group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The group has met all of these requirements throughout the financial year.

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

	Kenya Ksh'000	Tanzania Ksh'000
General insurance companies	600,000	58,600

Both companies are in compliance with the capital requirements as at 31 December 2017.

The solvency margin of the Company as at 31 December 2017 and 2016 is illustrated below.

Kenya

The Capital Adequacy Ratio based on the Risk Based Model is as follows:-

	2017 Ksh'000	2016 Ksh'000
Total Capital Available	3,575,158	3,171,258
Minimum Required Capital	1,653,684	1,742,428
Capital Adequacy Ratio	216%	182%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RISK MANAGEMENT (continued) Management of Insurance and financial risk (continued) (iii) Capital risk management

Tanzania

As per the provisions of the Tanzania Insurance Act, the minimum amount of paid up share capital to be maintained by a life or general insurer shall be:-

- for the year ending December 31, 2012 one billion five hundred Million Shillings;
- for the end of subsequent years, the minimum amount of paid up share capital for the prior year times the lesser of 1.1 or the ratio of the current year Consumer Price Index to the prior year Consumer Price Index;
- for companies transacting non-life and non- marine business only the minimum amount of capital to be maintained shall be half of the amount provided under this sub regulation.

For the case of ICEA LION, paid up capital has been increasing by 10% of prior year paid up capital year-on- year as follows:

	2017 Tsh'000	2016 Tsh'000
Paid up capital	2,415,765	2,196,150

5 (a) GROSS WRITTEN PREMIUMS

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
Motor	1,920,599	2,421,784	1,817,895	2,269,231
Fire	1,234,248	1,225,164	1,101,278	1,099,572
Aviation and Marine	1,427,597	1,378,148	1,412,136	1,275,249
Other	1,174,534	1,073,662	1,154,218	1,025,978
Theft	284,166	301,271	239,106	245,760
Personal accident	224,499	266,243	217,193	249,731
Engineering	185,366	762,532	161,503	139,066
	6,451,009	7,428,804	6,103,330	6,304,587

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 (b) GROSS EARNED PREMIUMS

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
Motor	2,237,635	2,376,827	2,114,698	2,201,195
Fire	1,236,913	1,194,207	1,093,136	1,055,172
Aviation and Marine	1,388,617	1,360,462	1,368,767	1,243,771
Other	1,232,232	987,647	1,144,836	936,273
Theft	290,448	285,636	243,970	236,527
Personal accident	225,952	250,402	225,107	233,258
Engineering	196,719	824,149	188,322	183,118
	6,808,516	7,279,330	6,378,836	6,089,314

5 (c) REINSURANCE PREMIUMS CEDED

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
Motor	122,194	49,319	98,427	4,298
Fire	957,214	857,800	835,724	743,526
Aviation and Marine	1,233,159	795,914	1,196,262	1,104,474
Other	317,957	1,212,597	292,110	163,286
Theft	62,611	77,715	24,724	23,168
Personal accident	98,165	49,660	91,893	64,484
Engineering	114,871	200,381	101,786	161,502
	2,906,171	3,243,386	2,640,926	2,264,738

6 COMMISSIONS EARNED

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
Commissions receivable	485,863	474,962	424,461	378,481
Add: deferred reinsurance commission	29,105	(10,467)	21,938	(18,126)
Commissions earned	514,968	464,495	446,399	360,355

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 INVESTMENT INCOME

Fair value gains on investment properties (Note 17)
Interest on deposits with financial institutions
Rental income from investment properties
Interest on government securities – held-to-maturity – available-for-sale
Dividends receivable on equity instruments
Other income
Gain on disposal of Treasury Bonds
Gain on disposal of equity instruments

GROUP		COMPANY	
2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
90,000	50,000	90,000	50,000
86,030	94,182	68,633	79,860
217,793	196,198	217,793	196,198
452,291	341,785	432,977	315,255
71,000	72,200	71,000	72,200
45,896	55,916	39,707	50,569
5,835	30,799	968	27,623
38,156	-	38,156	-
(3,099)	7,959	(3,099)	7,959
1,003,902	849,039	956,135	799,664

8 FOREIGN EXCHANGE GAINS/(LOSSES)

Foreign exchange gains/(losses) arise from translation of foreign currency denominated transactions into the local currency. These are further categorized into realized and unrealized gains/(losses) as follows:

Realized (losses)/gains
Unrealized (losses)/gains
Net foreign exchange (losses)/gains

GROUP		COMPANY	
2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
(2,898)	(2,109)	(2,898)	(2,109)
(3,730)	6,914	1,237	(328)
(6,628)	4,805	(1,661)	(2,437)

9 CLAIMS EXPENSE

Gross claims expense
Less: amounts recoverable from reinsurers
Net claims expense

2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
3,084,517	2,805,638	3,002,797	2,630,860
(838,586)	(407,133)	(802,277)	(320,198)
2,245,931	2,398,505	2,200,520	2,310,662

10 COMMISSIONS EXPENSE

Commissions payable
Change in deferred acquisition costs
Commissions expense

2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
761,180	789,893	705,290	706,588
51,042	5,316	44,028	(2,162)
812,222	795,209	749,318	704,426

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 OPERATING AND OTHER EXPENSES

Employee benefit expense (Note 12)
Impairment charge for doubtful premiums receivable
Impairment charge on Chase Bank deposit (Note 31)
Investment expenses
Depreciation (Note 18)
Operating lease rentals
Repairs and maintenance
Branding and marketing expenses
Professional and consultancy fees
Restructuring expenses
Merger Acquisition costs amortisation
Levies
Auditors' remuneration
Directors' emoluments
- fees for services as directors
Amortisation of intangible assets (Note 19)
Other expenses

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
	672,706	672,559	588,141	594,349
	55,378	61,734	50,171	60,682
	(38,698)	51,597	(38,698)	51,597
	32,484	38,979	32,484	38,979
	37,700	56,479	34,120	54,343
	108,712	99,430	94,913	85,302
	49,272	47,405	48,079	46,217
	36,687	47,571	36,687	47,571
	64,664	49,108	51,780	31,291
	-	125,173	-	125,173
	-	92,500	-	92,500
	84,540	86,840	76,820	77,734
	6,414	5,749	3,582	2,941
	6,864	7,054	2,180	2,210
	9,640	12,260	9,001	11,759
	191,050	277,053	155,468	242,022
	1,317,413	1,731,491	1,144,728	1,564,670

12 EMPLOYEE BENEFIT EXPENSES

Salaries and benefits
Defined contribution retirement schemes
- Group pension fund
- National Social Security Fund
Medical
Staff Welfare

	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
	562,760	565,207	489,604	496,337
	38,802	34,171	38,802	34,171
	6,982	6,190	436	304
	22,355	27,550	18,898	24,749
	41,807	39,441	40,401	38,788
	672,706	672,559	588,141	594,349

The average number of employees during the year was as follows:

Business Development
Operations
Management and administration

	2017	2016	2017	2016
	50	55	45	52
	88	97	68	76
	61	66	49	52
	199	218	162	180

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 INCOME TAX EXPENSE

a) Tax expense

Current income tax expense	
Deferred income tax expense (Note 33(b))	

GROUP		COMPANY	
2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
230,173	104,228	229,039	96,988
11,567	(4,013)	13,331	(2,863)
241,740	100,215	242,370	94,125

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

The group's income tax expense is computed in accordance with income tax rules applicable to general insurance companies.

Profit before income tax	
Tax calculated at a tax rate of 30%(2016: 30%)	
Tax effect of:	
- Income not subject to tax	
- Expenses not deductible for tax purposes	
Income tax expense	

GROUP		COMPANY	
2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
1,039,121	429,078	1,044,217	407,274
311,736	128,723	313,265	122,182
(82,269)	(72,014)	(82,460)	(66,337)
12,273	43,506	11,565	38,280
241,740	100,215	242,370	94,125

c) Tax payable movement

At 1 January	
Current taxation expense	
Tax paid	
Exchange differences	
At 31 December	

2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
(75,596)	(131,316)	(66,907)	(132,149)
230,171	104,228	229,040	96,988
(80,708)	(48,377)	(71,912)	(31,746)
-	(131)	-	-
73,867	(75,596)	90,221	(66,907)
(16,354)	(75,596)	-	(66,907)
90,221	-	90,221	-
73,867	(75,596)	90,221	(66,907)

(d) Analysed as follows:

Current tax recoverable	
Current tax payable	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 PROFIT FOR THE YEAR

A profit of Ksh 801,847,000 (2016: Ksh 313,149,000) has been dealt with in the books of the company, ICEA LION General Insurance Company Limited.

15 EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit for the year attributable to equity holders of the parent company by the number of ordinary shares in issue at the end of the reporting period.

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
Profit attributable to ordinary shareholders (Ksh'000)	799,480	321,478	801,847	313,149
Number of ordinary shares for basic earnings per share ('000)	50,000	50,000	50,000	50,000
Basic and diluted earnings per share (Ksh)	15.99	6.43	16.04	6.26

There were no potentially dilutive shares outstanding at 31 December 2017 or 31 December 2016. Diluted earnings per share are therefore the same as basic earnings per share.

16 DIVIDENDS

An interim dividend of Ksh 1.00 per share (2016 – Ksh 1.00) amounting to Ksh 50,000,000 (2016: Ksh 50,000,000) was paid in the year.

At the annual general meeting, a final dividend in respect of 2017 of Kshs 3 per share amounting to Kshs 150,000,000 will be proposed by the directors. The final proposed dividend for the year is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

The total dividend for the year ended 31 December 2017 will therefore be Ksh 4.00 per share (2016: Ksh 4.00 per share) amounting to a total of Ksh 200,000,000 (2016: Ksh 200,000,000).

17 INVESTMENT PROPERTIES

GROUP AND COMPANY

	2017 Ksh'000	2016 Ksh'000
At 1 January	2,640,000	2,590,000
Fair value gain	90,000	50,000
At 31 December	2,730,000	2,640,000

The investment properties were last revalued at 31 December 2017 by Lloyd Masika Limited, independent valuers on the basis of open market value for existing use.

Rental income arising from investment properties during the year amounted to Ksh 217,793,000 (2016: Ksh 196,198,000). Expenses relating to investment property amounted to Ksh 32,484,000 (2016: Ksh 38,979,000).

Refer to note 4 for the fair value hierarchy disclosure and note 3 for the sensitivity effects of changes in gross annual rental and the yield.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 PROPERTY AND EQUIPMENT

(a) GROUP

Cost

At 1 January 2016	
Additions	
Disposal	
Exchange difference on translation	

At 31 December 2016

At 1 January 2017	
Additions	
Adjustments (i)	
Adjustments (ii)	
Disposals	
Exchange difference on translation	

At 31 December 2017

Depreciation

At 1 January 2016	
Charge for the year	
Elimination on disposal	
Exchange difference on translation	

At 31 December 2016

At 1 January 2017	
Charge for the year	
Elimination on disposal	
Adjustments (i)	
Adjustments (ii)	
Exchange difference on translation	

At 31 December 2017

Net book value

At 31 December 2017	
At 31 December 2016	

	Motor vehicles Ksh'000	Computer equipment Ksh'000	Furniture fittings and office equipment Ksh'000	Total Ksh'000
	88,656	65,190	245,883	399,729
	4,140	12,788	30,963	47,891
	(22,654)	(121)	(105)	(22,880)
	(88)	(38)	(50)	(176)
	70,054	77,819	276,691	424,564
	70,054	77,819	276,691	424,564
	-	11,149	15,828	26,977
	4,512	-	-	4,512
	-	-	(5,107)	(5,107)
	-	(254)	(59)	(313)
	(322)	(124)	(250)	(696)
	74,244	88,590	287,103	449,937
	63,994	50,033	118,924	232,951
	11,860	11,626	32,993	56,479
	(17,585)	(120)	(50)	(17,755)
	(108)	(17)	(23)	(148)
	58,161	61,522	151,844	271,527
	58,161	61,522	151,844	271,527
	5,516	10,747	21,437	37,700
	-	(164)	(59)	(223)
	4,512	-	-	4,512
	-	(1,618)	(2,012)	(3,630)
	(246)	(95)	(129)	(470)
	67,943	70,392	171,081	309,416
	6,301	18,198	116,022	140,521
	11,893	16,297	124,847	153,037

Fully depreciated assets at 31 December 2017 amounted to Ksh 296,556,146 (2016 – Ksh 230,986,584). The notional annual depreciation on these assets would have been Ksh 59,354,140 (2016 – Ksh 57,945,375).

Adjustment (i) Amounts relate to a motor vehicle that was disposed of in 2016 but the buyer cancelled the purchase in 2017.

Adjustment (ii) Amounts relate to a software that was recorded in property and equipment instead of intangible assets now reclassified.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 PROPERTY AND EQUIPMENT(continued)

(b) COMPANY

Cost

At 1 January 2016
Additions
Disposals

At 31 December 2016

At 1 January 2017

Additions
Adjustments (i)
Adjustments (ii)
Disposals

At 31 December 2017

Depreciation

At 1 January 2016
Charge for the year
Disposals

At 31 December 2016

At 1 January 2017
Charge for the year
Disposals

Adjustments (i)
Adjustments (ii)

At 31 December 2017

Net book value

At 31 December 2017
At 31 December 2016

	Motor vehicles Ksh'000	Computer equipment Ksh'000	Furniture fittings and office equipment Ksh'000	Total Ksh'000
At 1 January 2016	75,081	59,859	238,443	373,383
Additions	-	11,996	26,023	38,019
Disposals	(20,649)	(120)	-	(20,769)
	-	-	-	-
At 31 December 2016	54,432	71,735	264,466	390,633
At 1 January 2017	54,432	71,735	264,466	390,633
Additions	-	10,783	13,515	24,298
Adjustments (i)	4,512	-	-	4,512
Adjustments (ii)	-	-	(5,107)	(5,107)
Disposals	-	(254)	(59)	(313)
At 31 December 2017	58,944	82,264	272,815	414,023
At 1 January 2016	50,657	46,002	113,767	210,426
Charge for the year	11,342	10,971	32,030	54,343
Disposals	(15,607)	(120)	-	(15,727)
At 31 December 2016	46,392	56,853	145,797	249,042
At 1 January 2017	46,392	56,853	145,797	249,042
Charge for the year	4,407	10,066	19,647	34,120
Disposals	-	(164)	(59)	(223)
Adjustments (i)	4,512	-	-	4,512
Adjustments (ii)	-	(1,618)	(2,012)	(3,630)
At 31 December 2017	55,311	65,137	163,373	283,821
At 31 December 2017	3,633	17,127	109,442	130,202
At 31 December 2016	8,040	14,882	118,669	141,591

Fully depreciated assets at 31 December 2017 amounted to Ksh 277,786,363 (2016 – Ksh 213,139,842). The notional annual depreciation on these assets would have been Ksh 55,537,894 (2016 – Ksh 53,995,553).

Adjustment (i) Amounts relate to a motor vehicle that was disposed of in 2016 but the buyer cancelled the purchase in 2017.

Adjustment (ii) Amounts relate to a software that was recorded in property and equipment instead of intangible assets now reclassified.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 INTANGIBLE ASSETS – COMPUTER SOFTWARE

Cost

At 1 January
Additions
Adjustments (ii)
Adjustments
Exchange difference
At 31 December

Depreciation

At 1 January
Charge for the year
Adjustments
Exchange difference
At 31 December

Net book value

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
At 1 January	94,922	82,788	93,069	82,245
Additions	11,837	12,134	11,670	10,824
Adjustments (ii)	5,107	-	5,107	-
Adjustments	14	-	14	-
Exchange difference	(37)	-	-	-
At 31 December	111,843	94,922	109,860	93,069
At 1 January	85,815	73,549	85,127	73,368
Charge for the year	9,640	12,260	9,002	11,759
Adjustments	3,850	6	3,850	-
Exchange difference	(13)	-	-	-
At 31 December	99,292	85,815	97,979	85,127
Net book value	12,551	9,107	11,879	7,942

Adjustment (ii) Amounts relate to a software that was recorded in property and equipment instead of intangible assets now reclassified.

20 INVESTMENT IN SUBSIDIARIES

COMPANY

At cost

ICEA LION General Insurance Company (Tanzania) Limited

	Beneficial ownership	Country of incorporation	2017 Sh'000	2016 Sh'000
ICEA LION General Insurance Company (Tanzania) Limited	53%	Tanzania	50,147	50,147

The principal activity of ICEA LION General Insurance Company (Tanzania) Limited is the underwriting of the general insurance business. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the group.

Set out below is the summarised financial information for the subsidiary.

Summarised statement of financial position

Total assets
Total liabilities
Net assets

	2017 Ksh'000	2016 Ksh'000
Total assets	703,853	847,821
Total liabilities	(409,767)	(544,942)
Net assets	294,086	302,879

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 INVESTMENT IN SUBSIDIARIES (continued)

Summarised statement of comprehensive income

Gross earned premiums
Underwriting loss
(Loss)/ Profit before income tax
Income tax expense
Other comprehensive (loss) /income
Total comprehensive (loss) / income
Total comprehensive income allocated to non-controlling interests

2017 Ksh'000	2016 Ksh'000
429,680	1,190,016
(43,077)	(25,010)
(5,096)	21,803
630	(6,090)
3,095	(17,344)
(1,371)	(1,631)
1,455	(20,949)

Summarised cash flows

Net cash generated from operating activities
Net cash generated from /(used in) investing activities
Net cash generated from /(used in) financing activities
Net decrease in cash and cash equivalents
Cash and cash equivalents at beginning of year
Exchange gain on cash and cash equivalents
Cash and cash equivalents at end of year

(17,317)	17,141
36,183	8,442
(1,125)	(9,333)
17,741	16,250
87,964	71,839
(1,813)	(125)
103,892	87,964

21 KENYA MOTOR INSURANCE POOL

This represents the group's share of the net assets of the pool. This balance is recoverable from the pool through a refund of the amount due upon discontinuation of the pool as well as a share of investment income generated by the pool's investments annually. The movement in the amount due is shown below;

GROUP AND COMPANY

At 1 January
Net (decrease)/ increase in the group's share of net assets of the pool

At 31 December

2017 Ksh'000	2016 Ksh'000
97,053	82,227
(5,822)	14,826
91,231	97,053

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 AVAILABLE FOR SALE QUOTED EQUITY INSTRUMENTS

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
At 1 January				
Additions	882,791	968,883	768,216	835,919
Disposals	-	46,497	-	46,498
Fair value gains/(losses)	(8,643)	(19,073)	(8,644)	(19,073)
Exchange difference on translation	171,770	(112,472)	170,129	(95,128)
	(978)	(1,044)	-	-
At 31 December	1,044,940	882,791	929,701	768,216

23 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	Fully performing Ksh'000	Past due but not impaired Ksh'000	Impaired Ksh'000	Total Ksh'000
GROUP				
31 December 2017				
Receivable arising out of reinsurance arrangements	22,469	146,452	15,872	184,793
Provision for doubtful debts	-	-	(15,872)	(15,872)
	22,469	146,452	-	168,921
31 December 2016				
Receivable arising out of reinsurance arrangements	33,813	143,666	5,201	182,680
Provision for doubtful debts	-	-	(5,201)	(5,201)
	33,813	143,666	-	177,479
COMPANY				
31 December 2017				
Receivable arising out of reinsurance arrangements	22,469	96,976	7,384	126,829
Provision for doubtful debts	-	-	(7,384)	(7,384)
	22,469	96,976	-	119,445
31 December 2016				
Receivable arising out of reinsurance arrangements	22,370	104,361	-	126,731
Provision for doubtful debts	-	-	-	-
	22,370	104,361	-	126,731

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

The approved credit period for corporate accounts is 60 days while for direct and retail accounts is 30 days. The group has recognised an allowance for doubtful debts against all receivable balances over one year old unless such amounts have been recovered after year end. Before accepting any new customer, the group assesses the customer's credit quality and defines credit limits for that specific customer. The receivable balances includes amounts that are past due at the end of the reporting period for which the group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk arises from commercial lines business which contributes over 80% of the total gross written premium.

	Fully performing Ksh'000	Past due but not impaired Ksh'000	Impaired Ksh'000	Total Ksh'000
GROUP				
31 December 2017				
Receivable arising out of direct insurance arrangements	449,267	165,946	319,370	934,583
Provision for doubtful debts	-	-	(319,370)	(319,370)
	449,267	165,946	-	615,213
31 December 2016				
Receivable arising out of direct insurance arrangements	502,971	206,941	277,107	987,019
Provision for doubtful debts	-	-	(277,107)	(277,107)
	502,971	206,941	-	709,912
COMPANY				
31 December 2017				
Receivable arising out of direct insurance arrangements	449,267	141,630	307,638	898,535
Provision for doubtful debts	-	-	(307,638)	(307,638)
	449,267	141,630	-	590,897
31 December 2016				
Receivable arising out of direct insurance arrangements	453,070	188,707	264,364	906,141
Provision for doubtful debts	-	-	(264,364)	(264,364)
	453,070	188,707	-	641,777

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

Reinsurers' share of
 - unearned premiums
 - outstanding claims (Note 38)

GROUP		COMPANY	
2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
1,168,136	1,200,732	1,127,599	1,101,529
1,618,302	1,200,954	1,506,683	1,081,380
2,786,438	2,401,686	2,634,282	2,182,909

26 DEFERRED ACQUISITION COSTS

At 1 January
 (Decrease) /increase in the year

At 31 December

2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
281,223	286,830	259,965	257,802
(51,459)	(5,607)	(44,028)	2,163
229,764	281,223	215,937	259,965

27 OTHER RECEIVABLES

Staff receivables
 Sundry receivables
 Rental receivables
 Prepayments
 Due from related parties (Note 47(b))

2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
25,014	26,855	20,507	23,795
73,382	60,347	68,876	58,301
65,309	71,647	65,309	71,647
2,105	9,701	2,105	776
11,108	28,033	11,108	28,033
176,918	196,583	167,905	182,552

The carrying value of the above other receivable balances approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 DUE FROM SUBSIDIARY COMPANY

Due from ICEA LION Tanzania

GROUP		COMPANY	
2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
-	-	18,627	12,743

The balance due from the subsidiary company is non-interest bearing and is repayable within 3 months.

29 (a) GOVERNMENT SECURITIES HELD TO MATURITY

Treasury bills and bonds maturity

- Within 3 months
- Within 4 to 12 months
- Within 1 to 5 years
- Over 5 years

2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
70,287	34,238	70,286	-
172,272	161,177	172,273	135,116
1,440,098	1,025,904	1,423,416	1,005,271
2,646,347	2,388,098	2,580,580	2,304,924
4,329,004	3,609,417	4,246,555	3,445,311

The carrying value approximates the fair value. If the financial assets were measured at fair value, they would be disclosed at level 1 in the fair value measurement hierarchy.

(b) GOVERNMENT SECURITIES AVAILABLE FOR SALE

At 1 January

Additions/ (disposals)

Fair value gains

At 31 December

GROUP		COMPANY	
2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
655,344	648,315	655,344	648,315
(280,356)	-	(280,356)	-
20,772	7,029	20,772	7,029
395,760	655,344	395,760	655,344

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 CORPORATE BONDS HELD TO MATURITY

Corporate bonds maturing:
 - Within 1 to 10 years

GROUP		COMPANY	
2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
259,896	264,948	259,896	264,948

31 DEPOSITS WITH FINANCIAL INSTITUTIONS HELD TO MATURITY

Deposits maturing:
 - Within 3 months
 - Beyond 3 months
 - Provision for impairment
 - Reversal of impairment

2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
315,777	422,524	216,455	311,871
129,081	81,712	14,993	53,691
(14,993)	(53,691)	(14,993)	(53,691)
38,698	-	38,698	-
468,563	450,545	255,153	311,871

In 2016, an outstanding deposit with a bank under receivership amounting to Ksh 53,691,000 was fully impaired and the impairment charge recorded in the statement of profit or loss. Following the Central Bank of Kenya Press Release dated 5 January 2018, it is expected that 75% of the value of deposits currently under moratorium with the bank shall be transferred under a Binding Offer arrangement to a leading financial services group. In this regard, 75% of the impairment charge amounting to Kshs 38,698,000 was reversed and recognised in the statement of profit or loss during the year ended 31 December 2017. The carrying value of the deposits approximate their fair values.

32 WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The following table summarises the weighted average effective interest rates realised during the year on interest-bearing investments:

	GROUP		COMPANY	
	2017 %	2016 %	2017 %	2016 %
Government securities	11.0	11.9	10.9	11.7
Corporate bonds	13.3	12.4	13.3	12.4
Deposits with financial institutions	8.1	7.8	6.9	6.2

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 DEFERRED INCOME TAX ASSET/LIABILITY

Deferred taxation is calculated, on all temporary differences under the liability method using the income tax rates of 30% applicable in both Kenya and Tanzania.

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

Deferred tax liability:

Revaluation surplus - Investment properties at 30%
Accelerated capital allowances
Unrealised exchange gain

Deferred tax assets:

Excess depreciation over capital allowances
Provisions

Net deferred tax liability

(b) Movement in deferred tax income liability/asset is as follows:

At 1 January

Income statement (credit) /charge (note 13a)
Exchange difference on translation
At 31 December

(c) Analysis of the year-end balance is as follows:

Deferred taxation assets
Deferred taxation liabilities
At 31 December

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
	538,444	511,444	538,444	511,444
	65	66	-	-
	356	1,035	356	-
	538,865	512,545	538,800	511,444
	(14,699)	(15,781)	(14,699)	(15,781)
	(51,773)	(36,161)	(39,654)	(24,547)
	(66,472)	(51,942)	(54,353)	(40,328)
	472,393	460,603	484,447	471,116
	460,603	464,569	471,116	473,979
	11,567	(4,013)	13,331	(2,863)
	223	47	-	-
	472,393	460,603	484,447	471,116
	(12,054)	(10,513)	-	-
	484,447	471,116	484,447	471,116
	472,393	460,603	484,447	471,116

34 SHARE CAPITAL: GROUP AND COMPANY

Balance at 1 January 2016, 31 December 2016 and 31 December 2017

	Number of shares '000	Ordinary shares Ksh'000
	50,000	1,000,000

The total authorised number of ordinary shares is 50,000,000 with a par value of Ksh 20 per share. All issued shares are fully paid.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 RESERVES

(a) Available for sale reserve

The reserve represents the surplus on the revaluation of available for sale equity instruments net of deferred tax. This reserve is not distributable.

(b) Contingency reserve

The contingency reserve relates to the subsidiary, ICEA LION General Insurance Company (Tanzania) Limited. According to Tanzania Insurance Act 2009, a contingency reserve is required to be maintained. This reserve shall not be less than 3% of the net premium written or 20% of net profit, whichever is the greater. The reserve shall accumulate until it reaches the minimum paid up share capital of the company or 50% of the net earned premiums, whichever is greater. This reserve is not distributable.

(c) Currency translation reserve

The statement of financial position of the subsidiary, ICEA LION General Insurance Company (Tanzania) Limited, is translated into Kenya Shillings at year end rate of exchange, while the statement of comprehensive income is translated into Kenya Shillings at the average rate of exchange for the year. The resulting translation differences are dealt with through other comprehensive income and accumulated in equity under the group's currency translation reserve. This reserve is not distributable.

(d) Retained earnings

Retained earnings represent the percentage of net earnings not paid out as dividends, but retained by the group to be reinvested in its core business activities.

36 NON-CONTROLLING INTEREST

	GROUP	
	2017 Ksh'000	2016 Ksh'000
At 1 January	142,353	148,492
Share of (loss)/profit for the year	(2,099)	7,385
Share of other comprehensive income	1,455	(28,334)
Transfer to contingency reserve	1,952	7,425
Foreign exchange	(2,873)	7,385
Total at end of year	140,788	142,353

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 OUTSTANDING CLAIMS PROVISION

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
At 1 January	4,437,336	4,183,675	4,199,082	3,943,943
Claims expense and claim handling expenses	3,082,703	2,825,656	3,002,798	2,650,878
Payments for claims and claims handling expenses	(2,445,001)	(2,570,419)	(2,340,628)	(2,395,739)
Exchange difference on translation	(4,908)	(1,576)	-	-
At 31 December	5,070,130	4,437,336	4,861,252	4,199,082

38. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

The table below illustrates how the group's estimates of total claims outstanding for each accident year has changed at successive year ends.

GROUP

	Accident Year						Total Kshs'000
	2012 Kshs'000	2013 Kshs'000	2014 Kshs'000	2015 Kshs'000	2016 Kshs'000	2017 Kshs'000	
Underwriting year							
At end of underwriting year	1,493,586	1,962,180	1,952,144	2,341,816	2,379,952	2,618,848	-
One year later	1,546,439	2,063,486	2,056,604	2,515,736	2,664,433	-	-
Two years later	1,546,732	2,111,592	2,144,353	2,538,521	-	-	-
Three years later	1,557,249	2,054,605	2,162,873	-	-	-	-
Four years later	1,556,374	2,013,988	-	-	-	-	-
Five years later	1,531,021	-	-	-	-	-	-
Current estimate of cumulative claims	1,531,021	2,013,988	2,162,873	2,538,521	2,664,433	2,618,848	13,529,684
Cumulative payments	(1,359,314)	(1,771,079)	(1,857,775)	(2,064,018)	(2,022,393)	(1,198,656)	(10,273,235)
Current year IBNR	-	-	-	-	-	732,795	732,795
Reserve in respect of prior years	1,080,886	-	-	-	-	-	1,080,886
Liability recognised in the statement of financial position	1,252,593	242,909	305,098	474,503	642,040	2,152,987	5,070,130

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

COMPANY

	Accident Year						Total Kshs'000
	2012 Kshs'000	2013 Kshs'000	2014 Kshs'000	2015 Kshs'000	2016 Kshs'000	2017 Kshs'000	
Underwriting year							
At end of underwriting year	1,291,612	1,863,227	1,757,322	2,144,032	2,183,546	2,445,000	-
One year later	1,480,903	2,003,799	2,002,964	2,441,355	2,560,765	-	-
Two years later	1,503,863	2,070,541	2,092,628	2,484,226	-	-	-
Three years later	1,525,228	2,012,728	2,121,765	-	-	-	-
Four years later	1,524,650	1,979,855	-	-	-	-	-
Five years later	1,502,098	-	-	-	-	-	-
Current estimate of cumulative claims	1,502,098	1,979,855	2,121,765	2,484,226	2,560,765	2,445,000	13,093,709
Cumulative payments	(1,308,135)	(1,738,090)	(1,822,742)	(2,010,128)	(1,953,522)	(1,153,078)	(9,985,695)
Current year IBNR	-	-	-	-	-	697,982	697,982
Reserve in respect of prior years	1,055,256	-	-	-	-	-	1,055,256
Liability recognised in the statement of financial position	1,249,219	241,765	299,023	474,098	607,243	1,989,904	4,861,252

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

The table below shows the movement in the company's outstanding claims provision and related reinsurance share of outstanding claims.

COMPANY

2017

At 1 January 2016

Notified claims

Incurred but not reported

Total at beginning of year

Claims paid in year

Increase in liabilities:-

- Arising from current year claims

- Arising from prior year claims

Total at end of year

Notified claims

Incurred but not reported

Total at end of year

	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
	3,582,161	(959,231)	2,622,930
	616,921	(122,148)	494,773
Total at beginning of year	4,199,082	(1,081,379)	3,117,703
Claims paid in year	(2,340,628)	376,974	(1,963,654)
Increase in liabilities:-			
- Arising from current year claims	2,878,680	(711,867)	2,166,813
- Arising from prior year claims	124,118	(90,411)	33,707
Total at end of year	4,861,252	(1,506,683)	3,354,569
	4,163,270	(1,381,881)	2,781,389
	697,982	(124,802)	573,180
Total at end of year	4,861,252	(1,506,683)	3,354,569

2016

At 1 January 2015

Notified claims

Incurred but not reported

Total at beginning of year

Claims paid in year

Increase in liabilities:-

- Arising from current year claims

- Arising from prior year claims

Total at end of year

Notified claims

Incurred but not reported

Total at end of year

	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
	3,439,963	(1,094,561)	2,345,402
	503,980	(98,536)	405,444
Total at beginning of year	3,943,943	(1,193,097)	2,750,846
Claims paid in year	(2,395,739)	451,933	(1,943,806)
Increase in liabilities:-			
- Arising from current year claims	2,543,976	(340,311)	2,203,665
- Arising from prior year claims	106,902	95	106,997
Total at end of year	4,199,082	(1,081,380)	23,117,702
	3,582,161	(959,231)	2,622,930
	616,921	(122,148)	494,773
Total at end of year	4,199,082	(1,081,379)	3,117,703

Refer to note 3 for the sensitivity effects of changes in value of claims.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. UNEARNED PREMIUMS RESERVE GROUP

2017

At 1 January 2017
Increase in the year
At 31 December 2017

2016

At 1 January 2016
Increase in the year
At 31 December 2016

COMPANY

2017

At 1 January 2017
Increase in the year
At 31 December 2017

2016

At 1 January 2016
Increase in the year
At 31 December 2016

	Gross Ksh'000	Reinsurance Ksh'000	Net Ksh'000
At 1 January 2017	2,660,476	(1,200,732)	1,459,744
Increase in the year	(361,078)	32,596	(328,482)
At 31 December 2017	2,299,398	(1,168,136)	1,131,262
At 1 January 2016	2,642,738	(1,170,377)	1,472,361
Increase in the year	17,738	(30,355)	(12,617)
At 31 December 2016	2,660,476	(1,200,732)	1,459,744

	Gross Ksh'000	Reinsurance Ksh'000	Net Ksh'000
At 1 January 2017	2,474,738	(1,101,529)	1,373,209
Increase in the year	(275,506)	(26,070)	(301,576)
At 31 December 2017	2,199,232	(1,127,599)	1,071,633
At 1 January 2016	2,388,642	(1,028,506)	1,360,136
Increase in the year	86,096	(73,023)	13,073
At 31 December 2016	2,474,738	(1,101,529)	1,373,209

40. PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

At 31 December

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
At 31 December	419,693	601,259	383,837	556,067

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

41 DEFERRED REINSURANCE COMMISSIONS

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
At 1 January	183,331	170,688	164,578	146,453
Increase /(decrease) in the year	(29,469)	12,643	(21,938)	18,125
At 31 December	153,862	183,331	142,640	164,578

42 OTHER PAYABLES

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
Accrued expenses	304,592	444,092	304,593	397,292
Other liabilities	165,984	144,148	130,963	146,687
	470,576	588,240	435,556	543,979

The carrying amount of the above other payables approximates their fair value.

43 CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
Approved Capital Expenditure	67,506	50,888	50,915	39,745

44 CONTINGENT LIABILITIES

The group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final result of all pending or threatened legal proceedings, management does not believe that such proceedings (including outstanding litigations) will have a material effect on its results and financial position of the group. However provisions for claims have been made as far as management believe the claim will be paid. The group is also subject to insurance solvency regulations in the two territories where it operates and has complied with all these solvency regulations. There are no contingencies associated with the group's compliance or lack of compliance with such regulations.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

45 NOTES TO THE COMPANY AND CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Reconciliation of profit before tax to cash (used in)/generated from operations;

Profit before income tax

Adjustments for:

Depreciation (Note 18(a))

Amortisation of deferred merger acquisition cost

Gain/(loss) on disposal of equity instruments available for sale

Gain on sale of property and equipment

Loss on refund of proceeds

Amortisation of intangible assets (Note 19)

Fair value gains on investment properties (Note 7)

Chase Bank deposit impairment

Rental income (Note 7)

Dividend income (Note 7)

Interest income (Note 7)

Changes in working capital:

- Kenya motor insurance pool receivable

- receivables arising out of reinsurance arrangements

- receivables arising out of direct insurance arrangements

- reinsurers share of technical provisions and reserves

- deferred acquisition costs

- other receivables

- related party balances

- outstanding claims provisions

- unearned premiums reserves

- payables arising from reinsurance arrangements

- deferred reinsurance commissions

- other payables

Cash (used in)/generated from operations

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
Profit before income tax	1,039,121	429,078	1,044,217	407,274
Adjustments for:				
Depreciation (Note 18(a))	37,700	56,479	34,120	54,343
Amortisation of deferred merger acquisition cost	-	92,500	-	92,500
Gain/(loss) on disposal of equity instruments available for sale	-	(7,959)	-	(7,959)
Gain on sale of property and equipment	-	(7,561)	-	(7,678)
Loss on refund of proceeds	1,800		1,800	
Amortisation of intangible assets (Note 19)	9,640	12,260	9,002	11,759
Fair value gains on investment properties (Note 7)	(90,000)	(50,000)	(90,000)	(50,000)
Chase Bank deposit impairment	(38,698)	51,596	(38,698)	51,596
Rental income (Note 7)	(217,793)	(196,198)	(217,793)	(196,198)
Dividend income (Note 7)	(45,896)	(55,916)	(39,707)	(50,569)
Interest income (Note 7)	(609,320)	(508,167)	(572,610)	(467,315)
Changes in working capital:				
- Kenya motor insurance pool receivable	5,822	(14,826)	5,822	(14,826)
- receivables arising out of reinsurance arrangements	8,558	6,847	7,286	9,525
- receivables arising out of direct insurance arrangements	94,699	96,205	50,880	81,152
- reinsurers share of technical provisions and reserves	(384,755)	95,947	(451,021)	38,694
- deferred acquisition costs	51,458	5,607	44,028	(2,163)
- other receivables	19,542	(66,011)	14,523	(72,013)
- related party balances		-	(5,884)	(5,513)
- outstanding claims provisions	632,794	253,661	662,170	255,139
- unearned premiums reserves	(361,078)	17,738	(275,506)	86,096
- payables arising from reinsurance arrangements	(181,566)	237,518	(172,231)	229,846
- deferred reinsurance commissions	(29,469)	12,643	(21,938)	18,125
- other payables	(117,664)	202,708	(108,423)	215,256
Cash (used in)/generated from operations	(175,105)	664,149	(119,965)	677,071

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 NOTES TO THE COMPANY AND CONSOLIDATED STATEMENT OF CASH FLOWS

(b) Analysis of cash and cash equivalents

Cash and bank balances	
Government securities maturing within 3 months (Note 29(a))	
Deposits with financial institutions maturing within 3 months (Note 31)	

GROUP		COMPANY	
2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
17,678	50,050	13,108	24,345
70,287	34,238	70,286	-
315,777	422,524	216,455	311,871
403,742	506,812	299,849	336,216

46 OPERATING LEASE COMMITMENTS

The group and company as a lessor

Rental income earned during the year arising from investment properties is disclosed in note 7. At the end of each reporting period, the group and the company had contracted with tenants for the following future lease rentals receivable:

Within one year	
In the second to sixth years inclusive	

2017 Ksh'000	2016 Ksh'000
209,923	63,086
1,499,274	825,132
1,709,197	888,218

Leases are negotiated for an average term of 2 years for residential properties and 6 years for commercial properties and rentals are reviewed every two years. The leases are cancellable with a penalty when the tenants do not give three months' notice to vacate the premises.

The group as a lessee

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

Within one year	
In the second to sixth years inclusive	

2017 Ksh'000	2016 Ksh'000
114,588	105,357
125,338	112,274
239,926	217,631

The company as a lessee

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

Within 1 year	
In the second year	

2017 Ksh'000	2016 Ksh'000
100,406	98,565
110,447	105,482
210,853	204,047

NOTES TO THE FINANCIAL STATEMENTS (Continued)

47 RELATED PARTIES

The company is controlled by First Chartered Securities Limited, a company incorporated and domiciled in Kenya, which is the immediate parent company. The ultimate holding company is Asset Managers Limited. There are several other companies, which are related to ICEA LION General Insurance Company Limited through common shareholdings or common directorships.

In the normal course of business, insurance policies are sold to related parties. Transactions with related parties during the year and related outstanding balances are disclosed below:

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
a) Transactions with related parties				
Premiums received net of commissions	367,027	414,028	367,027	414,028
Management fees – earned	-	-	6,926	6,923
– expense	6,918	10,753	6,918	10,753
Staff loans	20,252	24,028	20,252	24,028
Reinsurance premiums	125,785	107,820	125,785	107,820
b) Balances with related parties				
Deposits with financial institutions	297,110	393,992	102,611	191,079
Bank balances	14,745	32,564	10,175	16,095
Interest receivable	6,311	5,374	331	943
Premiums receivable from related parties	14,699	10,701	14,699	10,701
Amounts due from a subsidiary	-	-	18,627	12,743
Due from related company:				
ICEA LION Life Assurance	6,837	23,774	6,837	23,774
ICEA LION Asset Management	684	1,290	684	1,290
ICEA LION Trustee Services Ltd	211	583	211	583
ICEA Uganda	4,399	2,341	4,399	2,341
First Chartered Securities	170	45	170	45
Williamson Development Ltd	(1,193)	-	(1,193)	-
	11,108	28,033	11,108	28,033

NOTES TO THE FINANCIAL STATEMENTS (Continued)

47 RELATED PARTIES (continued)

(c) Key management and directors' remuneration

Director's remuneration

Directors' fees
Other remuneration

Key management remuneration

	GROUP		COMPANY	
	2017 Ksh'000	2016 Ksh'000	2017 Ksh'000	2016 Ksh'000
	7,009	7,054	2,180	2,210
	59,049	59,049	39,238	38,391
	66,058	66,103	41,418	40,601
	179,841	165,334	133,690	122,037

APPENDIX I - CONSOLIDATED REVENUE ACCOUNTS

Supplementary Information

For the year ended 31 December 2017

Class of insurance business	Aviation	Engineering	Fire	Fire	Liability	Marine	Motor	Motor	Personal	Theft	Workmen's	Medical	Miscella	2017	2016
	Ksh'000	Ksh'000	Domestic Ksh'000	Industrial Ksh'000	Ksh'000	Ksh'000	Private Ksh'000	Comm Ksh'000	Accident Ksh'000	Ksh'000	Comp Ksh'000	Ksh'000	neous Ksh'000	Total Ksh'000	Total Ksh'000
Gross premiums written	1,148,589	185,366	122,088	1,112,160	179,310	279,008	1,304,559	616,040	224,499	284,166	449,617	468,609	76,998	6,451,009	7,428,804
Change in gross unearned premiums	40,112	(22,806)	(2,243)	(423)	(355)	(27,760)	(203,592)	(113,444)	(9,006)	(17,376)	(6,553)	3,174	2,765	(357,507)	149,475
Gross premiums earned	1,108,477	208,172	124,331	1,112,582	179,665	306,768	1,508,151	729,484	233,505	301,541	456,171	465,436	74,233	6,808,516	7,279,330
Less: reinsurance premiums ceded	1,102,613	114,871	41,597	915,617	124,533	130,546	78,550	43,643	98,165	62,611	15,421	113,206	64,698	2,906,071	3,243,386
Net premiums earned	5,864	93,301	82,734	196,966	55,131	176,222	1,429,600	685,841	135,340	238,930	440,750	352,229	9,537	3,902,445	4,035,944
Gross claims paid	28,811	41,254	23,725	107,030	12,988	113,818	899,953	443,281	144,458	139,247	184,976	302,740	3,046	2,445,327	2,570,419
Change in gross outstanding claims	(18,518)	(24,004)	(14,773)	605,475	8,777	(75,673)	87,933	(19,735)	45,624	55,774	85,121	22,822	8,177	767,000	255,236
Less: Reinsurance recoveries	10,293	17,251	8,952	712,505	21,765	38,145	987,887	423,545	190,082	195,020	270,097	325,562	11,224	3,212,328	2,825,656
Net claims incurred	(29)	3,381	(432)	595,018	1,486	15,477	(4,561)	38,634	113,542	87,687	18,818	89,363	8,011	966,395	427,150
Commissions earned	(33,013)	(56,528)	(8,645)	(286,398)	(26,825)	(43,067)	563	(1,709)	(26,859)	(8,882)	(3,518)	-	(20,085)	(514,968)	(464,495)
Commissions incurred	5,616	40,828	22,148	205,779	24,726	43,279	143,799	114,110	36,855	36,457	86,913	46,294	5,418	812,222	795,209
Expenses of management	19,371	22,570	32,381	86,320	16,277	48,025	424,364	234,716	57,898	81,288	95,225	52,093	4,979	1,175,509	1,190,014
Total expenses and commissions	(8,026)	6,870	45,884	5,701	14,178	48,237	568,727	347,117	67,894	108,863	178,620	98,387	(9,688)	1,472,763	1,520,728
Underwriting (loss)/profit															
- 2017	3,568	72,561	27,466	73,777	20,674	105,317	(131,574)	(46,187)	(9,095)	22,734	10,851	17,644	16,013	183,751	116,710
- 2016	20,700	19,450	19,819	142,573	3,097	(5,090)	(78,128)	33,090	(31,471)	(745)	(42,454)	25,923	9,946	116,710	-
Key ratios :															
Loss ratio	176	15	11	60	37	13	69	56	57	45	57	67	34	58	59
Commissions ratio	0	22	18	19	14	16	11	19	16	13	19	10	7	13	11
Expense ratio	2	12	26	8	9	17	32	38	26	28	21	11	6	18	16
Combined ratio	39	22	67	62	62	40	109	107	107	90	98	95	(68)	95	97

APPENDIX II - COMPANY REVENUE ACCOUNTS

Supplementary Information

For the year ended 31 December 2017

Class of insurance business	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Comm	Personal Accident	Theft	Workmen's Comp	Medical	Miscellaneous	2017 Total	2016 Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Gross premiums written	1,148,589	161,503	116,171	985,107	168,665	263,548	1,230,313	587,583	217,193	239,106	441,765	468,609	75,178	6,103,330	6,304,587
Change in gross unearned premiums	40,112	(26,819)	(2,783)	10,924	9,643	3,258	(198,510)	(98,293)	(7,915)	(4,863)	(6,178)	3,174	2,744	(275,506)	215,273
Gross premiums earned	1,108,477	188,322	118,953	974,183	159,022	260,290	1,428,823	685,875	225,107	243,970	447,943	465,436	72,436	6,378,836	6,089,313
Less: reinsurance premiums ceded	1,102,613	101,786	39,622	796,102	107,621	93,649	68,785	29,642	91,893	24,724	8,078	113,206	63,205	2,640,926	2,264,738
Net premiums earned	5,864	86,536	79,331	178,081	51,401	166,640	1,360,038	656,233	133,215	219,245	439,865	352,229	9,231	3,737,910	3,824,576
Gross claims paid	28,811	18,895	23,364	100,313	10,366	109,630	858,205	434,601	143,570	122,308	184,779	302,740	3,046	2,340,628	2,395,739
Change in gross outstanding claims	(18,518)	(5,744)	(14,474)	522,354	8,635	(78,141)	93,318	(44,746)	29,658	54,551	84,277	22,822	8,177	662,169	255,139
	10,293	13,151	8,890	622,667	19,001	31,489	951,523	389,855	173,228	176,859	269,056	325,562	11,224	3,002,797	2,650,878
Less: Reinsurance recoveries	(29)	(539)	(160)	511,687	(1,280)	8,732	(4,529)	13,100	95,170	65,541	17,488	89,363	7,733	802,278	340,217
Net claims incurred	10,322	13,690	9,049	110,980	20,282	22,757	956,052	376,755	78,058	111,318	251,568	236,199	3,491	2,200,520	2,310,662
Commissions earned	(33,013)	(50,032)	(8,546)	(245,053)	(21,648)	(40,852)	(21)	(8)	(24,560)	(2,232)	(1,191)	-	(19,242)	(446,399)	(360,355)
Commissions incurred	5,616	37,309	21,056	171,657	21,848	41,016	135,059	110,017	35,893	32,595	85,696	46,294	5,261	749,318	704,426
Expenses of management	19,371	13,904	27,725	66,141	12,139	37,785	353,381	209,405	55,692	60,845	94,564	52,093	4,597	1,007,643	1,028,123
Total expenses and commissions	(8,026)	1,181	40,235	(7,255)	12,339	37,949	488,419	319,414	67,026	91,208	179,069	98,387	(9,383)	1,310,562	1,372,194
Underwriting (loss)/profit - 2017	3,568	71,665	30,047	74,357	18,780	105,934	(84,433)	(39,936)	(11,869)	16,720	9,228	17,644	15,124	226,828	141,720
- 2016	18,331	10,433	16,485	145,690	2,811	(2,177)	(74,466)	48,717	(32,178)	17,622	(44,124)	25,923	8,652	141,720	-
Key ratios :															
Loss ratio	176	16	11	62	39	14	70	57	59	51	57	67	38	59	60
Commissions ratio	-	23	18	17	13	16	11	19	17	14	19	10	7	12	11
Expense ratio	-	7	23	6	6	13	27	34	24	24	20	10	5	15	15
Combined ratio	39	17	62	58	63	36	106	106	109	92	98	95	(64)	94	96

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Appendices



CORPORATE INFORMATION

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Email: info@icealion.com

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P.O. Box 1948 Dar-es-Salaam
Tanzania

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants (Kenya)
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Kaplan and Stratton Advocates
Williamson House
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Argwings Kodhek Rd
P.O. Box 52439 - 00200 Nairobi

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NIC House
P.O. Box 44599 - 00100 Nairobi

Standard Chartered Bank Limited
Kenyatta Avenue Branch
P.O. Box 30003 - 00100 Nairobi

CORPORATE SOCIAL RESPONSIBILITY & INVESTMENT Listing 2013 - 2017

ICEA LION GROUP CORPORATE SOCIAL RESPONSIBILITY SUPPORT - JANUARY 2013 - DECEMBER 2017

No. Project	Description	Category	Amount	Life Cost	General Cost
2013					
1	Kenya Paraplegic Organization	Bring Zack Back Campaign	200,000.00	100,000.00	100,000.00
2	Kenya Paraplegic Organization	Charity Golf Tournament	200,000.00	100,000.00	100,000.00
3	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	200,000.00	100,000.00	100,000.00
4	The Association of Kenya Insurers	Annual Medical Camp	50,000.00	25,000.00	25,000.00
5	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	100,000.00	50,000.00	50,000.00
6	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	200,000.00	-	200,000.00
7	Rhino Ark Charitable Trust	Support of Rhino Charge Team	100,000.00	50,000.00	50,000.00
8	Kahawa Ganison	High School Project	300,000.00	150,000.00	150,000.00
9	August 7 Memorial Trust	In Support of the Needy	100,000.00	50,000.00	50,000.00
10	SOS Children's Villages	In Support of the Needy Children	100,000.00	50,000.00	50,000.00
11	Lions Club of Kenya	Charity Golf Tournament	250,000.00	125,000.00	125,000.00
12	Faraja Cancer Support Trust	Faraja Cancer Centre Development	2,000,000.00	1,000,000.00	1,000,000.00
13	KCB Safari Rally	Official Event Insurer June 2013 - June 2014	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	75,000.00	37,500.00	37,500.00
2	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	500,000.00	250,000.00	250,000.00
3	Heart to Heart Foundation	Heart Run (Karen Hospital)	50,000.00	25,000.00	25,000.00
4	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	10,045.00	5,022.50	5,022.50
5	Faraja Cancer Support Trust	Purchase of Banded Tee Shirts	200,000.00	100,000.00	100,000.00
6	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	50,000.00	25,000.00	25,000.00
7	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	100,000.00	50,000.00	50,000.00
8	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	100,000.00	50,000.00	50,000.00
9	The Association of Kenya Insurers	Annual Medical Camp - Kamangu Primary - Kiambu	50,000.00	25,000.00	25,000.00
10	Drumbeat Ltd - Amazing Maasai Marathon	Official Event Insurer	130,000.00	65,000.00	65,000.00
11	The Kenya Red Cross	Annual Gala Dinner for the Disaster Kitty	300,000.00	-	300,000.00
12	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	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	50,000.00	-	50,000.00
2	Special Olympics Kenya	3 Air Tickets for Special Olympics Swim Team	500,000.00	250,000.00	250,000.00
3	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	20,000.00	10,000.00	10,000.00
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	300,000.00	-	300,000.00
5	The Association of Kenya Insurers	Annual Medical Camp - Ngumbaini Primary School - Mvea	70,000.00	35,000.00	35,000.00
6	Consolata Youth Rehabilitation Programme	COYREP & ICEA LION Visit To Clean Up Deep Sea Slum	100,000.00	50,000.00	50,000.00
7	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	100,000.00	50,000.00	50,000.00
8	Wema Centre Trust	Annual Fund Raising Dinner	250,000.00	125,000.00	125,000.00
9	Help Baby Irannah	Medical Bill Support For The Late Baby Irannah	30,000.00	15,000.00	15,000.00
10	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	270,254.00	135,127.00	135,127.00
11	KCB Safari Rally	Official Event Insurer Jun 2014 - Dec 2015	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	50,000.00	25,000.00	25,000.00
2	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	300,000.00	150,000.00	150,000.00
5	Association of Kenya Insurers	Joint Insurers Pensions Awareness Campaign	1,000,000.00	500,000.00	500,000.00
6	Jockey Club of Kenya - Horse Derby	111th Kenya Derby Prize Money For Riders	1,000,000.00	500,000.00	500,000.00
7	Jockey Club of Kenya - Horse Derby	Social Media Boosting to Advertise Event	17,492.80	8,746.40	8,746.40
8	Duke of Edinburgh's Presidential Award Scheme	Feeding Youth During Mt. Kenya Climb	500,000.00	250,000.00	250,000.00
9	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	20,000.00	10,000.00	10,000.00
10	East African & Kenya Motor Sports Club	FIM MotoCross Of African Nations 2016	500,000.00	250,000.00	250,000.00
11	East African Motor Sports Club	Refurbishing 16 Spectator Stands & Constructing 14 new ones	1,397,000.00	698,500.00	698,500.00
12	The Association of Kenya Insurers	Annual Medical Camp - Karagta - Naivasha	85,000.00	42,500.00	42,500.00
13	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	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	85,000.00	42,500.00	42,500.00
2	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Lewa Marathon	500,000.00	300,000.00	200,000.00
Total Support Amount			645,045.00	372,522.50	272,522.50
TOTAL CORPORATE SOCIAL RESPONSIBILITY SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2017			17,170,389.80	6,216,194.90	10,960,194.90

These costs exclude the launch event activities & related logistical costs

ICEA LION GROUP CORPORATE SOCIAL INVESTMENT - # I SEE A LION - SUPPORT - OCTOBER 2016 - OCTOBER 2017

No. Project	Description	Category	Amount	Life Cost	General Cost
2017					
1	Warrior Watch & Lion Monitoring Equipment	Corporate Social Investment Initiative	862,554.00	431,277.00	431,277.00
2	Evraso Lions - Lion Conservation Project	Production of the Lion Conservation Video	3,838,634.00	1,919,317.00	1,919,317.00
3		Media (Facebook, Instagram & YouTube)	600,000.00	300,000.00	300,000.00
4		Community Based Interventions	462,000.00	231,000.00	231,000.00
5	Kenya Wildlife Service (KWS) National Lion Census	KWS Methodologic & Standardization Workshop Sponsorship	821,167.00	410,583.50	410,583.50
		National Lion Census - Phase I - Lake Nakuru National Park			
Total Support Amount			6,584,355.00	3,292,177.50	3,292,177.50
TOTAL CORPORATE SOCIAL RESPONSIBILITY & INVESTMENT SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2017			23,754,744.80	9,502,372.40	14,252,372.40

These costs exclude the launch event activities & related logistical costs

AWARDS & ACCOLADES

2012 - 2016



THINK BUSINESS AWARDS

WINNER

General Insurer of the Year - 2017, 2014
Customer Service - 2017
Best Insurer in Product Marketing - 2017
Inaugural Corporate Risk Manager of the Year - 2017 - *Dorothy Maseke*
Training - 2016
Customer Satisfaction - 2016
Claims Settlement - 2015
Risk Management Award - 2015
Major Loss Award - 2012

1ST RUNNERS UP

Best Insurer in Sustainable CSR - 2017
Customer Service - 2017, 2016, 2014
Risk Management Award - 2017, 2014
Fraud Detection & Prevention - 2016, 2015
Training - 2015
Marketing Initiative of the Year - 2012

2ND RUNNERS UP

Fraud Detection & Prevention - 2017, 2014
Claims Settlement - 2016
General Insurer of the Year - 2016, 2015
Training - 2014

ICPSK CHAMPIONS OF GOVERNANCE AWARDS

WINNER

Insurance Sector - 2017
Company Secretary of the Year - *Kennedy Ontiti* - 2016, 2015

1ST RUNNERS UP

Insurance Sector - ICEA LION Life Assurance - 2017
Insurance Sector - 2016, 2015
CEO of the Year - *Justus Mutiga* - 2015

2ND RUNNERS UP

Company Secretary of the Year - *Kennedy Ontiti* - 2017
CEO of the Year - General Insurance CEO - *Steven Oluoch* - 2016
Insurance Sector - 2016

INSTITUTE OF CUSTOMER SERVICE - ICS

WINNER Insurance Sector - 2014

AWARDS & ACCOLADES

2012 - 2016 & GCR RATING



KENYA INSTITUTE OF MANAGEMENT - COMPANY OF THE YEAR AWARDS (COYA)

WINNER

CEO of the Year - General Insurance CEO - *Steven Oluoch* - 2017
 Customer Orientation & Marketing Determinant - 2017
 Financial Management Determinant - 2017

OVERALL DELOITTE'S BEST COMPANY TO WORK FOR 1ST RUNNERS UP

Mid-Size Companies (under 500 employees) - 2016

DELOITTE'S BEST COMPANY TO WORK FOR

WINNER Insurance Sector - 2014, 2015

INSURANCE INSTITUTE OF KENYA ANNUAL QUIZ 2017

WINNER

ASSOCIATION OF KENYA INSURERS SPORTS DAY 2016

1ST RUNNERS UP OVERALL CHAMPIONS



ICEA LION General Insurance Company Limited

Kenya Insurance Analysis

July 2017

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Claims paying ability	National	AA-(KE)	Stable	July 2018

REPORTING GUIDANCE *Index*

BASED ON INTERNATIONAL INTEGRATED REPORTING COUNCIL INDEX (IIRC)

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ICEA LION'S INTEGRATED LAB

Below is our team that spearheaded and delivered our inaugural Integrated Report that was developed and designed in-house. This is a first for the insurance industry in East Africa.



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"We're delighted to be at the forefront of the relentless pursuit of sustainability and shared value."

Special thanks to our in-house designer, **Brian Kimathi** and our professional editor, **Michelle Mathews**.



ICEA LION

INSURANCE • PENSIONS • INVESTMENTS • TRUSTS

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