ICEA LION
GENERAL INSURANCE

2020 INTEGRATED REPORT

Through And Beyond The Pandemic

UNEP FINANCE INITIATIVE

PSI Principles for Sustainable Insurance

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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FOREWORD

THROUGH & BEYOND THE PANDEMIC

2020 was the year that truly affirmed the fact that we live in a global village. The COVID-19 pandemic's effects reverberated across the globe and affected us politically, economically, socially, technically, legally and environmentally in unprecedented ways. The negative and positive impact of the pandemic on our organization and all our stakeholders is outlined in this report as we demonstrate our optimism for the best outcome as well as our resilience through and beyond this pandemic.

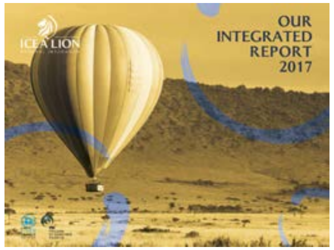
Indeed, 2020 was also a special year as the Chief Executive Officers of our ICEA LION Life and General Insurance companies both retired at the tail end of the year. They both had over 35 years' experience in the insurance and financial services sector and were renown and esteemed not only for their award-winning stewardship of their companies, but also for their immense contribution to the industry. The ICEA LION family wishes them well in their retirement and delights in the knowledge that our organization will still be able to tap into their vast wealth of knowledge as they will be retained on some of our ICEA LION Group Boards.

ICEA LION's 2020 Integrated Report aims to provide a comprehensive overview of how we create shared value for our stakeholders. It is founded upon our relentless pursuit of best practice with regard to corporate governance and our corporate mission to sustainably protect and create wealth for our stakeholders. We take pride in the fact that despite the ravages the COVID-19 pandemic has had upon the globe; ICEA LION has remained resilient.

The purpose of this report is to provide our stakeholders with concise information about ICEA LION in the context of our internal and external environment, how we weathered the COVID-19 storm and how we continue to create and retain value over the short, medium and long term.

With this report, we expect to provide all interested parties with the information needed to understand the vital role ICEA LION plays in corporate citizenship within the socio-economic sphere. We aim to share our approach to dealing with the effects of the pandemic as well as other contemporary issues affecting the insurance and financial services sector. COVID-19 aside, these include 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.

OUR PAST REPORTS



THE 6 CAPITALS & OUR VALUE CREATION PROCESS

For the purpose of Integrated Reporting, ICEA LION ascribes to the 6 Capitals Model as we seek to create value for our stakeholders. In our report, we provide disclosure underwritten using this model as relates to: human, intellectual, natural, social and relationship, manufactured as well as financial capital.

It is our belief that revealing our strengths and 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.

MATERIALITY

This report regards material aspects as those which are likely to impact our Group'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.

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 also aligned with the parameters of the Global Reporting Initiative (GRI), 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 & RESPONSIBILITY OF THE INTEGRATED REPORT

The Integrated Report has been prepared for the period 1 January to 31 December 2020 and covers the activities of ICEA LION General Insurance Company Limited and its subsidiary. The ICEA LION Board is responsible for the Integrated Report.

ACTING AS A RESPONSIBLE LEADER

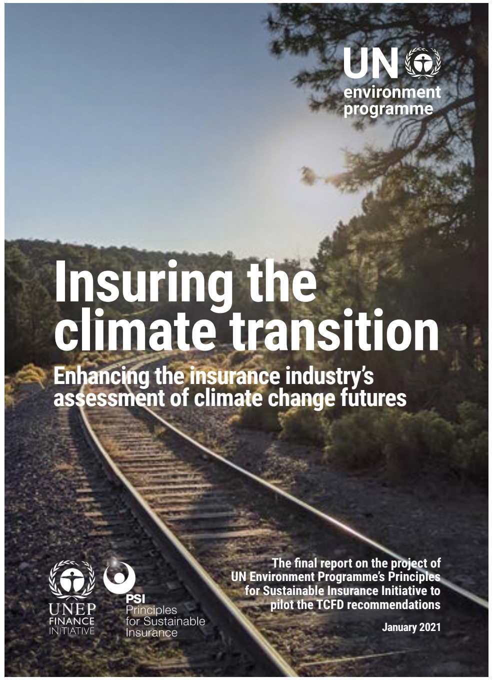
As the first signatory in East and Central Africa to UNEP FI's Principles of Sustainable Insurance (PSI), we continue to stand by our commitment of responsible business. The aim of the Principles is to lay a foundation upon which as a player, we can build a stronger relationship that puts sustainability at the heart of risk management in the pursuit of a more forward-looking and better managed world. Commitment to these Principles articulates to our stakeholders our stance towards responsible action as we consciously develop innovative risk solutions that solve current and emerging challenges. It positions ICEA LION as a market leader as we seek dominance towards shaping policies that positively influence the insurance market and the African economy at large.

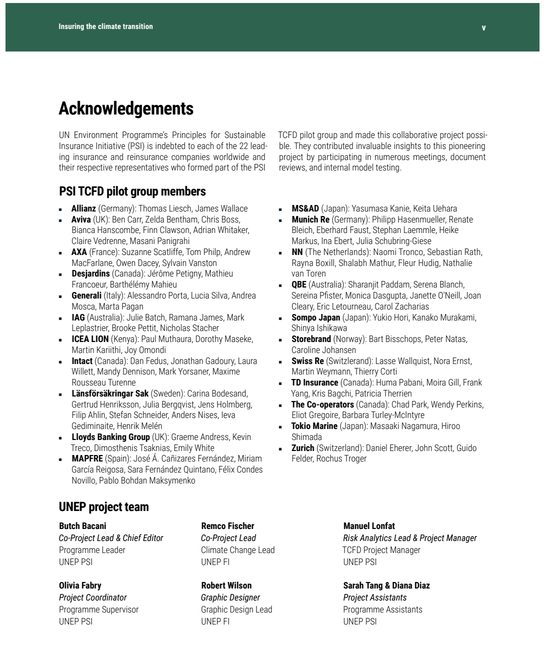
SOLE AFRICAN PARTICIPANT IN THE CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD) INSURER PILOT GROUP

During the year, ICEA LION participated in the largest pioneer collaborative effort by insurers to pilot the use of climate-change scenarios to better assess climate related physical, transition and litigation risks in the insurance business. We joined 21 other leading insurers – representing over 10% of world premium & USD 6 Trillion in assets – to pilot some of the most challenging recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The report titled "Enhancing The Insurance Industry's Assessment Of Climate Change Futures", was endorsed by UN Special Envoy on Climate Action and Finance and UK Prime Minister's Finance Adviser for UN Climate Change Conference of the Parties (COP26).

Sabin Centre for Climate Change Law at the Columbia Law School and PWC Germany were the consultants who worked with this project team; ICEA LION Group is the only Africa member to this pilot group.

This project developed a new generation of risk assessment tools designed to enable the insurance industry to better understand the impact of climate change on their businesses. The tools allow for consistent and transparent analytical approaches that can be used to identify, assess and disclose climate change-related risks and opportunities in insurance underwriting portfolios under physical, transition and litigation risks.





Insuring the climate transition v

Acknowledgements

UN Environment Programme's Principles for Sustainable Insurance Initiative (PSI) is indebted to each of the 22 leading insurance and reinsurance companies worldwide and their respective representatives who formed part of the PSI TCFD pilot group and made this collaborative project possible. They contributed invaluable insights to this pioneering project by participating in numerous meetings, document reviews, and internal model testing.

PSI TCFD pilot group members

- **Allianz** (Germany): Thomas Liesch, James Wallace
- **Aviva** (UK): Ben Carr, Zelda Bentham, Chris Boss, Bianca Hanscombe, Finn Clawson, Adrian Whitaker, Claire Vedrenne, Masani Panigrahi
- **AXA** (France): Suzanne Scatliffe, Tom Philp, Andrew MacFarlane, Owen Dacey, Sylvain Vanston
- **Desjardins** (Canada): Jérôme Petigny, Mathieu Francoeur, Barthélémy Mahieu
- **Generali** (Italy): Alessandro Porta, Lucia Silva, Andrea Mosca, Marta Pagan
- **IAG** (Australia): Julie Batch, Ramana James, Mark Leplastrier, Brooke Pettit, Nicholas Stacher
- **ICEA LION** (Kenya): Paul Muthaura, Dorothy Maseke, Martin Kariithi, Joy Omondi
- **Intact** (Canada): Dan Fedus, Jonathan Gadoury, Laura Willett, Mandy Dennison, Mark Yorsaner, Maxime Rousseau Turenne
- **Länsförsäkringar Sak** (Sweden): Carina Bodesand, Gertrud Henriksson, Julia Bergqvist, Jens Holmberg, Filip Ahlin, Stefan Schneider, Anders Nises, Ieva Gediminaite, Henrik Melén
- **Lloyds Banking Group** (UK): Graeme Andress, Kevin Treco, Dimosthenis Tsaknias, Emily White
- **MAPFRE** (Spain): José Á. Cañizares Fernández, Miriam García Reigosa, Sara Fernández Quintano, Félix Condes Novillo, Pablo Bohdan Maksymenko
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- **Storebrand** (Norway): Bart Bisschops, Peter Natas, Caroline Johansen
- **Swiss Re** (Switzlerand): Lasse Wallquist, Nora Ernst, Martin Weymann, Thierry Corti
- **TD Insurance** (Canada): Huma Pabani, Moira Gill, Frank Yang, Kris Bagchi, Patricia Therrien
- **The Co-operators** (Canada): Chad Park, Wendy Perkins, Eliot Gregoire, Barbara Turley-McIntyre
- **Tokio Marine** (Japan): Masaaki Nagamura, Hiroo Shimada
- **Zurich** (Switzerland): Daniel Eherer, John Scott, Guido Felder, Rochus Troger

UNEP project team

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Graphic Design Lead
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Sarah Tang & Diana Diaz
Project Assistants
Programme Assistants
UNEP PSI

OUR SUPPORT FOR OTHER INITIATIVES

During the year, we participated in **PSI's 3rd Africa Event in Victoria Falls in March of 2020** where together we reviewed emerging guidelines on sustainable insurance as well as discussed emerging innovative solutions for climate and environmental, social and governance (ESG) mitigations as well as determined possible collaborative engagements between PSI members. ICEA LION is now in the process of developing a flood risk model, through its data analytics function, that will be used for further risk mitigation on our flood risk zones. We also participated in the Global Roundtable held in October 2020.

ICEA LION is privileged to have been appointed to the **Board of the PSI Global Board**, an opportunity that further confirms our Group as a global thought leader as we lend an African voice to emerging global regulation that will soon find its way in this market. Our participation in such global platforms also expands our network and collaborative engagements that help us seize business opportunities. It takes us to the forefront of creating an impact and leaving the world a better place for the sake of future generations.

Additionally, ICEA LION is now a member of the **Insurance Sustainable Development Goals Taskforce** (iSDGs), a body that is developing insurance targets and guidance in relation to the Sustainable Development Goals.

LOOKING TO THE FUTURE

As hosts to the **2021 PSI 4th Africa Market Event in Nairobi**, we will continue to seek collaborative engagements to tackle the sustainability challenge. As society's early warning system and risk manager, we are consistently pursuing innovation to serve our customers and society and achieve value and profitability for all our stakeholders, as we ensure an insurable, resilient and sustainable world.

In this Report, we use the 6 Capitals Framework to anchor our disclosure and demonstrate our integration of strategy and sustainable development issues. We also highlight material aspects therein and how we have performed for each.

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.

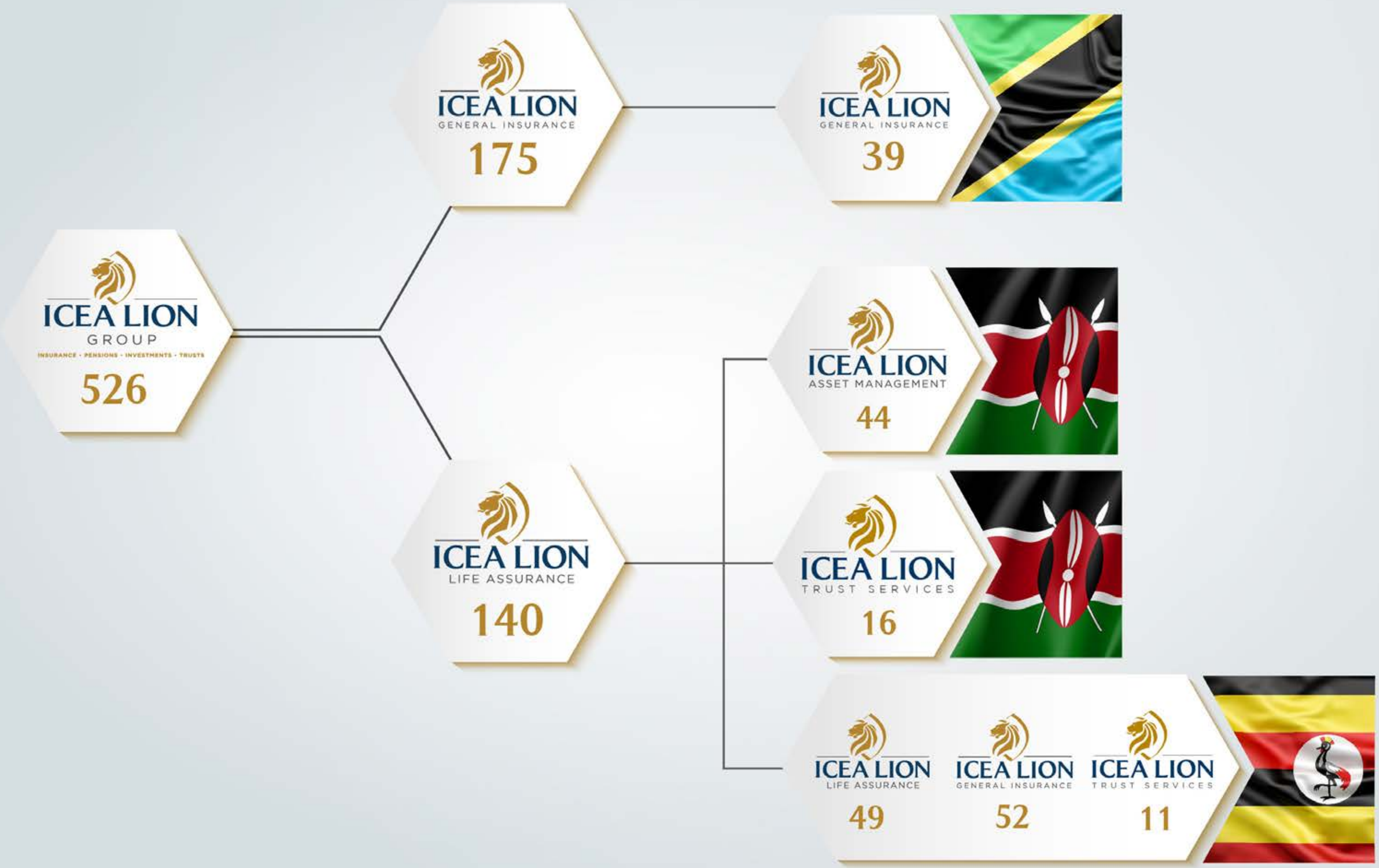
We are one of the largest providers of insurance and financial services in East Africa with well-established operations in Kenya, Uganda and Tanzania. True to our Group's mission ***To Protect and Create Wealth***, we pride ourselves in having one of the strongest statements of financial position in East Africa thereby 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. Over the years, the Group has built impressive investment portfolios in these spheres.

Our non-life and life companies are ICEA LION General Insurance Company Ltd and the ICEA LION Life Assurance Company Ltd. ICEA LION Asset Management Ltd and ITSL Trust Company Limited Ltd are our investment and individual and corporate trusteeship companies. The insurance and 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 and 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

Through every life-changing moment
We're Better Together

OUR 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.

1950's

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

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.

2012

Lion of Kenya was later renamed ICEA LION General Insurance in 2012 following 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

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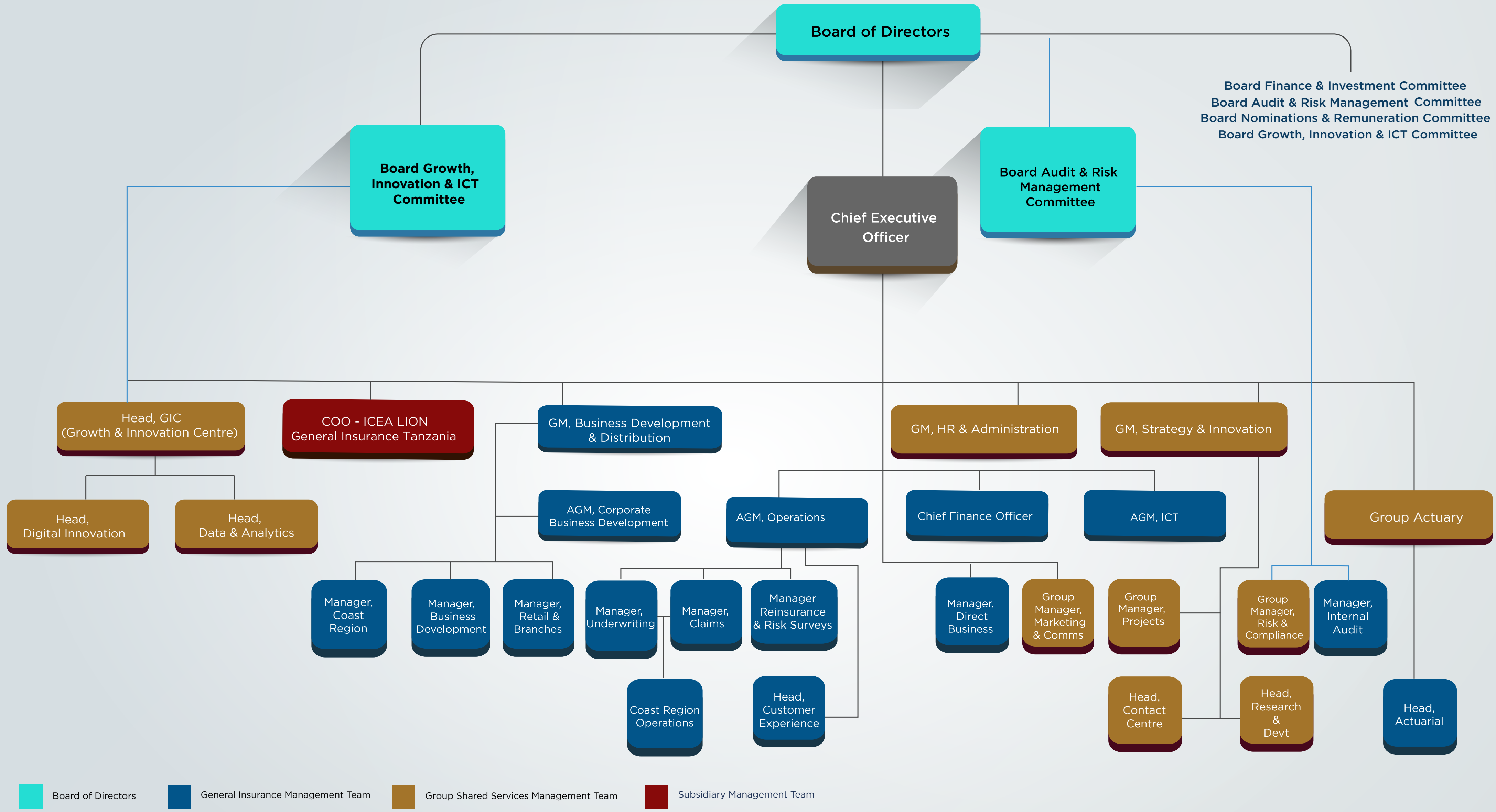
OUR LEADERSHIP STRUCTURE



FINANCIAL CAPITAL

- Value added to the economy of 4 Billion
- Net Assets of Kshs. 5.6 Billion
- Taxes paid of Kshs 567 Million
- Local procurement constitutes 98% of total procurement
- Market share of 4.5%

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

NATURAL CAPITAL

- Signatory to UNEP FI Principles for Sustainable Insurance since 2016
- Participant in TCFD Insurer Pilot Group as the only Africa Member to develop climate change recommendations
- Participation in PSI Market event in Victoria Falls in February 2020
- Our ICEA LION Insurance Holdings CEO was appointed to the Board of UNEP-FI PSI as the Africa Representative
- Sponsorship to sustainability initiatives and forums such as the Organisation of East and Southern African Insurers (OESAI) conference on Sustainability
- Monitored resource usage (water, fuel, power & paper)
- Contributed Kshs 9,317,520 Million to Nature Conservation Initiatives as a Corporate Ctizen between 2013 - 2020

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

INTELLECTUAL CAPITAL

- Ranked the Number 3 Brand in East Africa in the 2020 Nielsen Brand Health Index Survey measured against Brand Awareness, Consideration and Association
- Deployed the end-to-end Motor Insurance portal that allows customers to buy or renew insurance as well as make a claim and book a car valuation.
- Upgraded our self-service portal to include e-commerce capabilities
- Deployed the motor garage & assessment management system that enables ICEA LION as well as our clients to monitor their vehicles in the garage.
- Deployed our end-to-end corporate marine portal in addition to the retail option

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

HOW WE CREATE VALUE

Creating shared value is at the core of our business strategy. This helps us focus on the right kind of profits – profits that create societal benefits rather than diminish them. Below is an illustration of how our strategy creates shared value and aligns to the Sustainable Development Goals (SDGs).

SOCIAL & RELATIONSHIP CAPITAL

- Contributed Kshs 5 Million to the COVID-19 National Emergency Response Fund
- Support for our team members, their families and our clients health and wellbeing during COVID -19
- As Corporate Citizens, contributed Kshs 24.4 Million to various causes between 2013 and 2020
- Grew our social media following : Facebook over 62,433 from 60,000 | Twitter over 8,025 from 6,700 | LinkedIn over 16,630 from 11,200 | Instagram over 3,993 from 2100 | YouTube over 746 from 530
- Treating Customers Fairly (TCF) compliance standards resulting in a Net Promotor Score (NPS) - 83%
- Customer Satisfaction Index (CSI) – 81% (compared to industry CSI index of 79%)

17 PARTNERSHIPS FOR THE GOALS

13 CLIMATE ACTION

MANUFACTURED CAPITAL

- Development of new products/distribution channels
- Online self-service portal that allows clients to access and update their policy information
- Online purchase portals for marine, travel and motor insurance
- Our investment properties provide a stable and secure long-term return to our clients and shareholders

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

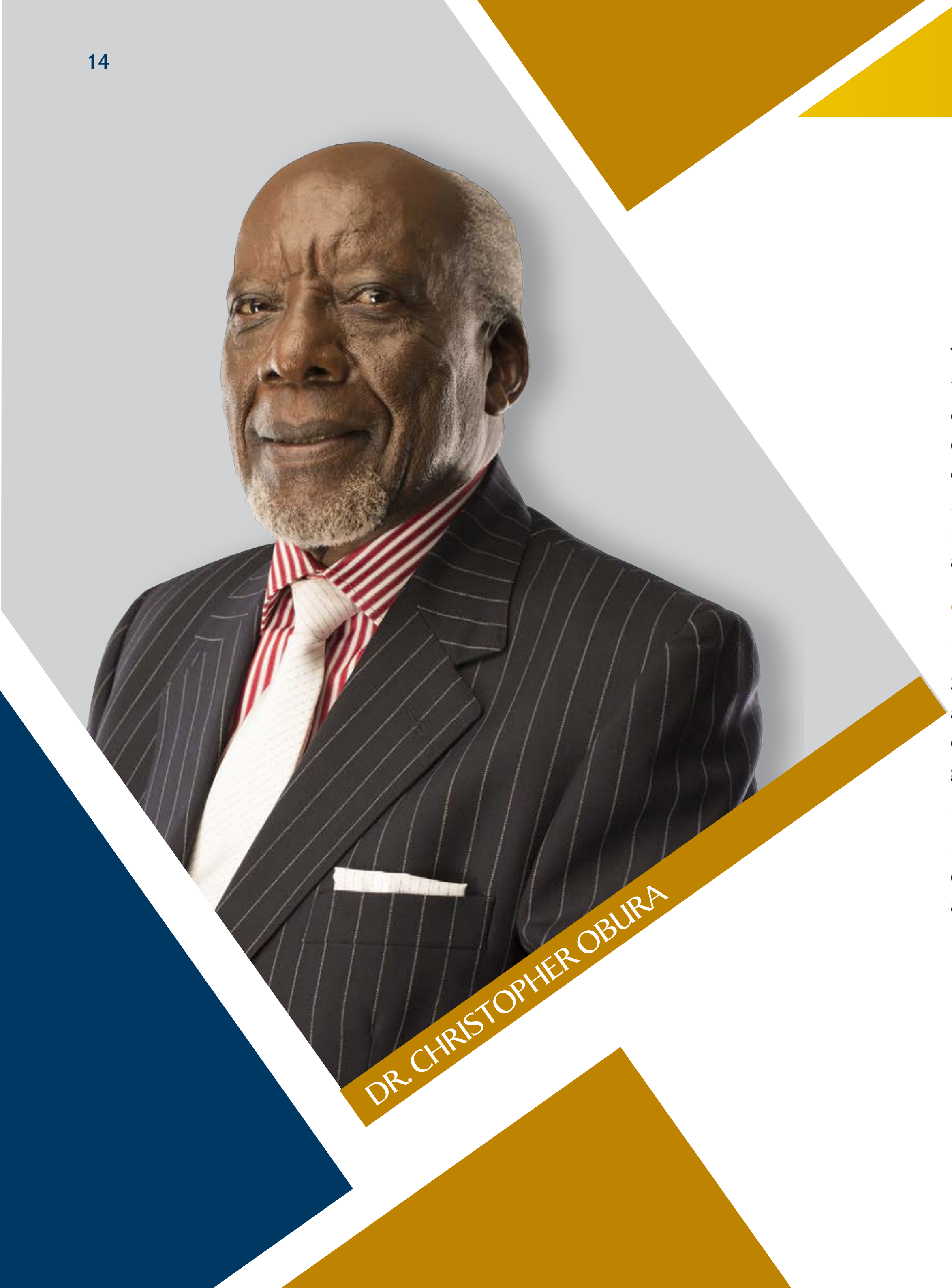
HUMAN CAPITAL

- Proportion of women staff members working at 52%
- Percentage of women in senior management at 39%
- Direct jobs sustained in entire economy - 214
- Number of staff between 20s and 30s – 14%
- Number of staff in wellbeing programs - 214
- Learning costs per employee Kshs. 18,164
- Number of trained coaches - 20

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES



CHAIRMAN'S STATEMENT

With gratitude, I would like to note that ICEA LION General Insurance went against the odds to post a good performance in 2020 given the difficult circumstances in the economy characterized by the COVID-19 Pandemic, the locust menace and climate change related excessive rainfall and floods. The COVID-19 pandemic specifically disrupted business and commercial activities due to the imposition of movement restrictions, curfews and resulting slowdown in business activities. Our results were inevitably negatively affected but we displayed commendable resilience by taking swift action to mitigate the effects of the business slow down.

CORPORATE DEVELOPMENTS IN 2020

Effective 1st October 2020, Paul Muthaura took over the leadership of our business from Steven Oluoch who retired as Chief Executive Officer of ICEA LION General Insurance after 10 years of steering the Company. Paul was formerly the Chief Executive Officer of the Capital Markets Authority and has a great wealth of knowledge making him a great addition to the ICEA LION General Leadership Team.

I take this opportunity to thank Steven Oluoch for his immense contribution to ICEA LION General Insurance and the ICEA LION Group at large. I wish him well as he continues to serve our Group as a director of ICEA LION General Insurance Tanzania and also welcome Paul Muthaura to the ICEA LION Group family.

"I'm delighted to leave ICEA LION General Insurance as one of the leading underwriters in the region...

... certain that the journey I began 10 years ago to lead our team to achieve sustainable profitability, ensuring both company and market share growth through keenly focusing on our customers' diverse and dynamic needs will continue, I hand over this committed, technically astute and customer-oriented team to my worthy successor."

STEVEN OLUOCH RETIRED AS CEO
EFFECTIVE 30 SEPTEMBER 2020

SUSTAINING PROFITABLE GROWTH

2020 was the third year of our Company's implementation of our 5-year strategic plan for the period 2018-2022. Our strategy is anchored on driving growth and profitability through differentiation. The group reported a 7% growth on its Gross Written Premium to close at Kshs 6.67 billion, 64% growth on its Underwriting Profit to close at Kshs 391 million and a 12% decline in Profit Before Tax to close at Kshs 972 Million.

Our profitable growth was underpinned by the continued implementation of various strategic initiatives which include; establishment of key partnerships, digitisation, improved claims handling processes as well as continuous focus and improvement on customer centricity.

Our Kenya business contributed 98% of the group profitability. Our Tanzania business reported a significant growth and turnaround; recovering significant lost market share and resulting in a growth of 50% on its Gross Written Premium. Our subsidiary also reduced the reported Underwriting Losses and posted a Profit Before Tax of Kshs 23.7 Million.

INDUSTRY PERFORMANCE

According to the IRA 2020 Q3 industry release, the industry Gross Written Premium grew by 2.6% to stand at Kshs 179.4 billion (2019-Kshs 174.9); where the life insurance business grew by 6.6% to Kshs 74.3 billion (2019-Kshs 69.7 billion) while the non-life insurance business was flat at Kshs 105.0 billion. The General Business was impacted more by the pandemic as it was sensitive to the disruptions such as: restrictions, lockdowns and the subsequent reduction in business and commercial activities. The Claims Incurred Loss Ratio improved to 63.3% down from 65.3%. Consequently, the Underwriting Results improved by 66.9% from a loss of KES 2.66 billion in Q3 2019 to a loss of KES 879.28 million in Q3 2020.

FUTURE OUTLOOK

The effects of the COVID-19 Pandemic will continue to be felt in 2021 even with recent advancements in vaccine manufacture and prospects of inoculation to vulnerable groups in 2021 and other populations rolling into 2022. In addition, Kenya will go into the general and presidential elections in August 2022.

While the foregoing plays out; the projections by political, economic and policy analysts are that 2021 will be a year of recovery. Macroeconomic stability is expected to continue and the Real GDP is forecasted to grow at a rate of 5%.

Our businesses shall continue to seize opportunities in line with the new realities presented by the Pandemic and carefully navigate the new trading environment. We shall leverage on our strong brand and statement of financial position as well as digital capabilities to weather the emerging challenges.

STRATEGIC PARTNERSHIP

In early 2021 the US based global financial services leader Prudential Financial, Inc. through Leapfrog Strategic Africa Investments (LSAI) acquired a 24% stake in ICEA LION Insurance Holdings Limited. This partnership is expected to support the ICEA LION Group's strategy of focusing on customer connectivity, growth and innovation, digitization, development of new products and enhancement of operating synergies throughout its various operations.

IN CLOSING

I wish to sincerely thank our customers, intermediaries and business partners for their continuing trust, loyalty and support. Finally, I wish to thank the leadership and team members in all our business units for their vital commitment and contribution during the year.

I also extend my gratitude to my fellow directors for their continued commitment and service on the main board and our various committees in guiding the forward trajectory of ICEA LION General Insurance.

DR. CHRIS W. OBURA | CHAIRMAN

CHIEF EXECUTIVE OFFICER'S STATEMENT: ICEA LION GENERAL INSURANCE

It gives me great pleasure to offer my inaugural remarks for our 2020 Integrated Report. I joined ICEA LION on 1st May 2020 as the Chief Operating Officer and was appointed Chief Executive Officer effective 1st October 2020.

2020 was marked with significant changes both socially and economically following the unexpected emergence of the COVID-19 Pandemic in the first quarter. As a business, this called for us to quickly adopt to the very fast-changing environment resulting in activation of our Business Continuity Plan that focused on ensuring we were able to execute the required levels of service for our clients whilst ensuring our staff were safe from the pandemic. I am glad to note that our Crisis Management Team (CMT) guided us through this process successfully.

KEY DECISIONS TAKEN TO HELP US NAVIGATE THE PANDEMIC

- Developed travel advisory guidelines.
- Developed guidelines to be followed in the event a positive Covid-19 case was identified within our premises.
- Engaged and enlisted commitment of competent health providers for the provision of necessary support to our team members in the event any of them tested positive.
- Based on the Ministry of Health Guidelines, we developed home-based care guidelines for our team members in the event one tested positive.
- Communicated minimum safety protocols to be followed while visiting our business premises by both our team members, customers, suppliers and visitors. The measures included temperature checks, wearing of masks, sanitization and social distancing.
- Activated and enabled working from home solutions.

TEAM MEMBERS SUPPORT DURING THE PANDEMIC

Over 80% of our staff managed to work comfortably from their homes and they were effectively supported through provision of laptops, Wi-Fi connectivity and telephone connectivity to enhance business continuity. In addition, arrangements were made to facilitate acquisition of work appropriate furniture to enable them work better from their homes. We also facilitated private transport to the office for those working in the office to reduce infection risk. Please refer to page 68 for a report on the number of team members who tested positive and recovered.

GROUP PERFORMANCE

The group has reported a growth of 7% over 2019 on the Gross Written Premiums to close at Kshs 6.67 billion, 64% growth on the underwriting profit to close at Kshs 391 million, a 26% drop on investment income to close at Kshs 809 million and a 12% reduction in Profit Before Tax to close at Kshs 972 million.

Our total assets closed at Kshs 14.6 billion being a growth of 6% while our liabilities grew by 4% to close at Kshs 9 billion with our net assets therefore growing by 10% to close at Kshs 5.6 billion.

MARKET DYNAMICS

During the year, the industry and indeed our business encountered two key changes that had an impact on our day-to-day running of the business. The Insurance Regulatory Authority continues to enforce minimum rates which is intended to give a level playing field in the industry. In addition, the reinsurers in the market issued more hardened rates for the industry indicating that these would be applied uniformly to all underwriters in 2021, with a view to reversing the deteriorating underwriting results in the industry. The measures included revising the minimum rates to apply to property classes, bonds and incorporation of the communicable diseases exclusion.

This has further tightened the pricing of these products to our clients in 2021.

KEY STRATEGIC FOCUS AREAS

Our business continues to execute its 2018-2022 strategy and below are some key focus areas that we are pursuing at ICEA LION.

CUSTOMER EXPERIENCE (CXX)

ICEA LION has embarked on a holistic CXX journey review process with the key focus to review and re-craft the CXX optimization journey in order to drive a customer-intimate brand. We target actualizing the robust implementation journey in Q1 2021 with the ultimate goal of achieving **customer intimacy, clearly defined, communicated and personified experience** as well as **a differentiated brand** to drive Customer Value Propositions for the business.

The ICEA LION Group Treat the Customer Fairly (TCF) vision broadens the business focus beyond compliance to drive an integrated customer-responsive culture. TCF ultimately stimulates loyalty to the brand, fuels the Group vision, and promotes sustainable stakeholder relationships with customers, partners, team members and shareholders.

DISINTERMEDIATION

Disintermediation is another critical area of focus for our business. We continue to build capacity to enable our direct business arm deliver continued growth.

AGILE APPROACH

As we continue in our commitment to improve on delivery of our promises to our customers, we have embraced the agile approach of working. Our team members, management as well as directors have been trained on this more collaborative and outcome-focused approach. This approach is one where requirements and solutions evolve towards a defined outcome through collaboration of cross-functional teams. Through the agile approach, the business will ensure increased success in execution of value-adding solutions for our customers, resulting in improved business results.

PARTNERS' PORTAL

The first agile project for our business is the partners' portal. This portal is aimed at creating value for our partners through enabling online visibility of information and sharing of data. This enables both ourselves and our partners to communicate more effectively and in the process enhance efficient service delivery.

MY PREDECESSOR

I would also like to acknowledge the tremendous contribution of my predecessor, Steven Oluoch who retired on 30th September 2020. Steven's leadership ran for over 10 years. I thank Steven for the loyal and committed service he has provided ICEA LION General Insurance, the ICEA LION Group and the Insurance sector in Africa. I take this opportunity to wish him well as he embarks on this new chapter in his life.

OUTLOOK

Looking at 2021 and beyond, COVID-19 continues to be a challenge and the speed with which the COVID-19 vaccine is adopted in Kenya and immunizations executed will determine how fast the economy recovers. In addition, 2022 being an election year and with political campaigns already launched, a negative impact on economic activities is likely. We intend to continue *through and beyond the pandemic* with our drive for continued growth of quality business, which will translate into customer delight and loyalty, profitability and value creation for all our stakeholders.

CLOSING REMARKS

Our success would not have been possible without the contribution of our team members and leadership team, customers, partners, shareholders as well as the continued guidance given to us by our Board of Directors. I am grateful to you all as we continue to strive for an even more successful 2021.

PAUL MUTHAURA | CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER'S STATEMENT: ICEA LION INSURANCE HOLDINGS

It is indeed with much gratefulness that I write this message at the end of what was without a doubt one of the most unique years in our living history.

The year 2020 will remain etched in our collective memories, not only because of the economic devastation that was visited upon economies throughout the world; accompanied by many very personal tragedies that were triggered by the pandemic through loss of life and livelihoods, but critically through the swift initiatives to adopt, reimagine and implement new business strategies to ensure business continuity *through the pandemic and beyond*.

When we talk of a sustainable world, we are acutely aware that this is realized through sustainable businesses and they should of necessity be able to withstand the unexpected shocks that come our way, such as the COVID-19 pandemic. I am glad to note that as a Group we took the necessary measures to ensure that we were able to keep our team members safe. As a result they continued to serve our esteemed customers through the adoption of appropriate technological solutions and a flexible business continuity plan that was executed with the necessary agility.

We also continued to champion the cause for the larger sustainability agenda through the UNEP- FI Principles for Sustainable Insurance (PSI) initiative of which we remain the only Insurance Industry Signatory in East and Central Africa. As risk managers, insurers and investors, we are cognisant of the fact that the insurance industry can play a leadership role in building climate-resilient communities and in accelerating the transition to a net-zero emissions economy.

In this regard, we participated in the largest pioneer collaborative effort by insurers to pilot the use of climate change scenarios, to better assess climate related physical, transition and litigation risks in the insurance business. The final report, Insuring the climate transition: Enhancing the insurance industry's assessment of climate change futures, captures the key findings to pilot some of the most challenging recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

The overall aim of this PSI pilot project is to contribute to the development of consistent and transparent analytical approaches that can be used to identify, assess and disclose climate change-related risks and opportunities in insurance underwriting portfolios in a forward-looking, scenario-based manner.

BEYOND 2020

As we come to the end of what was an interesting and extraordinary year, we look forward to continuing on our progressive trajectory emphasizing synergistic business practices, customer-centricity and innovation for growth.

We specifically look forward to the conclusion of a significant transaction where Leapfrog Strategic Africa Investments (LSAI) is on track to acquire 24% stake in ICEA LION Insurance Holdings Limited. LSAI is an investment partnership established in 2016 between Leapfrog Investments and the US based global financial services leader Prudential Financial, Inc. (PFI) that functions as a USD 350 Million separate managed fund. The objective of the LSAI fund is to identify and make strategic investments in high quality financial services companies in selected African Geographies. The ICEA LION Holdings transaction is the second investment of the LSAI fund after their investment in the Enterprise Group Limited in Ghana which was concluded in August 2017. This partnership is expected to support the ICEA LION Group's strategy of focusing on customer connectivity, growth and innovation, digitization, development of new products and enhancement of operating synergies throughout its various operations.

As we proceed on our ambitious and far-reaching aspirations, I would like to thank our directors, clients, team members, collaborators and other stakeholders as we march forward on this bold vision of a better and brighter future for the generations to come, through our sustainable business practices.

DR. CAESAR MWANGI | CHIEF EXECUTIVE OFFICER - ICEA LION INSURANCE HOLDINGS

OUR BOARD OF DIRECTORS

FIRST ROW

Dr. Christopher Obura, Chairman | James Ndegwa, Director | Mariam Abdullahi, Director | Mugwe Manga, Director | Robin Ndegwa, Alternate Director John Kimeu, Director | Kairo Thuo, Director | Andrew Ndegwa, Director

SECOND ROW

Patrick Mugambi, Alternate Director | David Hutchison, Director | Joseph Muiruri, Director | Dr. Caesar Mwangi, Director | Kennedy Ontiti, Company Secretary | Paul Muthaura, Director and Chief Executive Officer | Norm Kelly, Director | Doug Lacey, Director | Joe Wangai, Director

Visit www.ICEALION.com to review their individual profiles

OUR LEADERSHIP TEAM

OUR TANZANIA SUBSIDIARY

OUR SHARED SERVICES TEAM

ROW 1

Paul Muthaura, Chief Executive Officer
Alvin Odhiambo, GM - Business Development & Distribution
Zipporah Chege, Chief Finance Officer
Jane Muiru, AGM – Operations
David Too, AGM – ICT
Peter Mukuria, AGM, Business Development – Commercial

ROW 2

Jennifer Kamotho, Manager, Business Development – Commercial
Radcliffe Nyamai, Manager, Business Development - Commercial
Andrew Muturi, Manager, Business Development - Direct
Evelyn Musunzar, Manager, Business Development – Retail & Branches
Charles Kagima, Manager - Coast Region
Lucy Karanja, Manager - Underwriting

ROW 3

John Njenga, Manager - Reinsurance & Risk Surveys
Lydia Mwirigi, Manager - Claims
Kevin Kombo, Manager - Internal Audit
Maryleen Thome, Head - Customer Experience
Joy Gachoka, Head - Actuarial

ROW 4

Jared Awando, Executive Director and Chief Operating Officer - Tanzania

ROW 5

Dr. Caesar Mwangi - CEO, ICEA LION Insurance Holdings
Naomi Munyi - GM Strategy & Innovation
Juliana Nguli - GM Human Resources & Administration
Anthony Muturi - Group Actuary
Nkatha Gitonga - Group Manager - Marketing & Communications
Dorothy Maseke - Group Manager - Risk & Compliance

ROW 6

John Wanjogu, Group Manager - Projects
Jacqueline Ochieng, Head - Research & Development
Veronica Sentongo, Head - Digital Innovation
Martin Kariithi, Head - Data & Analycics
Annette Kimiywi, Head - Contact Centre

Visit www.ICEALION.com to view their individual profiles

ICEA LION
GENERAL INSURANCE

WHERE & HOW WE OPERATE

02

OPERATING CONTEXT

COVID-19 PANDEMIC

The effects of the COVID-19 Pandemic significantly impacted the year 2020. The first COVID-19 case in Kenya was confirmed on 12 March 2020. As at 1st February 2021, the country had recorded 101,000 cases with 83,907 cases having recovered and 1,763 cases having succumbed. As of the same date, the world had recorded 103 million cases with 57 million having recovered and 2.23m having succumbed. The pandemic has significantly affected the operating business environment both locally and globally.

GLOBAL ECONOMY

The global economy in 2020 is estimated to have plunged to a recession of 4.3% according to a World Bank Global Economic Prospects report. In addition, Sub Saharan Africa output contracted by an estimated 3.7% while the Per Capita income declined by 6.1% which is the deepest contraction on record on account of various effects of the COVID-19 Pandemic.

KENYAN ECONOMY

On the other hand, the Kenyan economy is projected to have contracted by an average of 1% with accommodation and food sectors declining by over 80%, following the imposed travel bans to contain the spread of COVID-19. The Kenyan equities market indices were on a downward trend with the NASI, NSE 25 and NSE 20 declining by 8.6%, 16.7% and 29.6%. Despite many counters declining, Safaricom returned a gain of 8.7% fostered by increased internet requirements, following the working from home trends in the country.

The property market in 2020 was significantly affected by the Pandemic resulting in a decrease in the average rental yields to 6.1% compared to a rental yield of 7% in 2019. The decline was because of reduced sale and rental rates to attract and retain tenants amidst the tough economic environment. The demand for houses remained weak, with demand for apartments falling by 63% while demand for maisonettes and bungalows registering a 72% and 9% growth respectively. The KBA-HPI Index based on a moving base stood at 117.11 in Q3 2020 compared to 118.76 in Q3 2019.

The Government of Kenya responded to the Pandemic through various spread control measures, which included lockdowns, work from home as well as establishment of a National Emergency Response Committee to manage the Pandemic. In addition, the Government set up the 8 Point Economic Stimulus Programme at a cost of Kshs 53.7 billion to stimulate various aspects of the economy.

KSH 53.7 BILLION

01 Ksh. 5B to hire Local labour for rehabilitation of access roads and footbridges.

02 Ksh. 6.5B to the Ministry of Education. To hire 10,000 teachers & 1,000 ICT interns to support digital learning & acquisition of 250,000 locally fabricated desks.

03 Ksh. 10B to fast-track payment of outstanding VAT refunds and other pending payments to SMEs Ksh. 3B as seed capital for SME Credit Guarantee Scheme.

04 Hire additional 5,000 healthcare workers with diploma /certificate-level qualification for one year, Ksh. 1.7B for the expansion of bed capacity in our public hospitals.

05 Ksh. 3B for the supply of farm input through e-vouchers, targeting 200,000 small scale farmers. Ksh. 1.5B to assist flower & horticultural producers to access international markets.

06 Soft loans to hotels & related establishments through Tourism Finance Corporation (TFC). Ksh. 2B to support Hotel industry. Ksh. 1B to engage 5,500 community scouts. Ksh. 1B for 160 community conservancies.

07 Ksh. 850M to rehabilitate wells, water pans and underground tanks in the Arid & Semi-Arid areas. Ksh. 1B for flood control measures & Ksh. 540M for Greening Kenya Campaigns.

08 Enforce the policy on *"Buy Kenya Build Kenya"* Ksh. 600M to purchase locally manufactured vehicles.

THE GENERAL INSURANCE INDUSTRY IN KENYA

The COVID-19 Pandemic affected the insurance sector in Kenya through reduced revenue, reduced returns from the Nairobi Securities Exchange and increased medical claims. The general insurance industry in Kenya recorded a marginal decrease of 0.1% in Q3 2020 compared to a growth of 3.7% in Q3 2019. The industry however returned a lower underwriting loss of Kshs 879 million in Q3 2020 compared to an underwriting loss of KShs 2.66 billion in Q3 2019.

ICEA LION RESPONSE TO THE PANDEMIC

As expected, 2020 was a difficult year for most businesses and at ICEA LION various measures were taken to ensure business resilience and continuity. These measures included facilitating our team to work from home by ensuring that they had laptops and internet connectivity. We also facilitated them to get ergonomic furniture for use at home. For the few team members who needed to work from the office, transport was availed to them to minimize the risks of exposure to COVID-19 by using public transport. Social distancing, masks wearing, sanitizing and temperature checks were enforced at our various business premises.

The ability of our business to sell our products digitally came in handy during this season and the investment in technology over the years greatly yielded results, as most team members were able to work seamlessly from the comfort and safety of their homes. Despite these operating conditions, both our businesses in Kenya and Tanzania remained resilient and profitable.

SALIENT INDUSTRY MATTERS

01 DIGITAL TRANSFORMATION AND CHANGING WAYS OF WORKING AND INTERACTING WITH STAKEHOLDERS.

02 INCREASED REGULATORY SCRUTINY AND REPORTING REQUIREMENTS SUCH AS RISK BASED CAPITAL REQUIREMENTS AND IFRS 17.

03 INDUSTRY CONSOLIDATION IN THE FACE OF STRINGENT CAPITAL REQUIREMENTS AND ENTRANCE OF GLOBAL PLAYERS IN THE MARKET.

04 CHANGING DEMOGRAPHIC STRUCTURE, TASTES AND PREFERENCES.

FUTURE OUTLOOK

The 2021 outlook is a gradual recovery following the slow-paced reopening of the economy. GDP growth is projected at 4%. An increased foreign participation is expected for a few equities counters that showed resilience during the pandemic; Safaricom being one of them. Given that 2022 is an election year, it is expected that towards the end of 2021, political campaigns will commence and these might have an impact on economic activities.

STAKEHOLDER MAPPING

We remain steadfast in our commitment to delivering on our corporate mission *'To Protect and Create Wealth'* for all our stakeholders. Stakeholder engagement is ingrained in our governance and strategy and is articulated in our Stakeholder Management Plan. These guidelines govern how we communicate, engage and release material information about the Group to all stakeholders across our network in Kenya, Uganda and Tanzania. We have developed stakeholder engagement strategies, that bear in mind the processes required to identify the people, groups and organisations that could affect or be affected by our business activities.

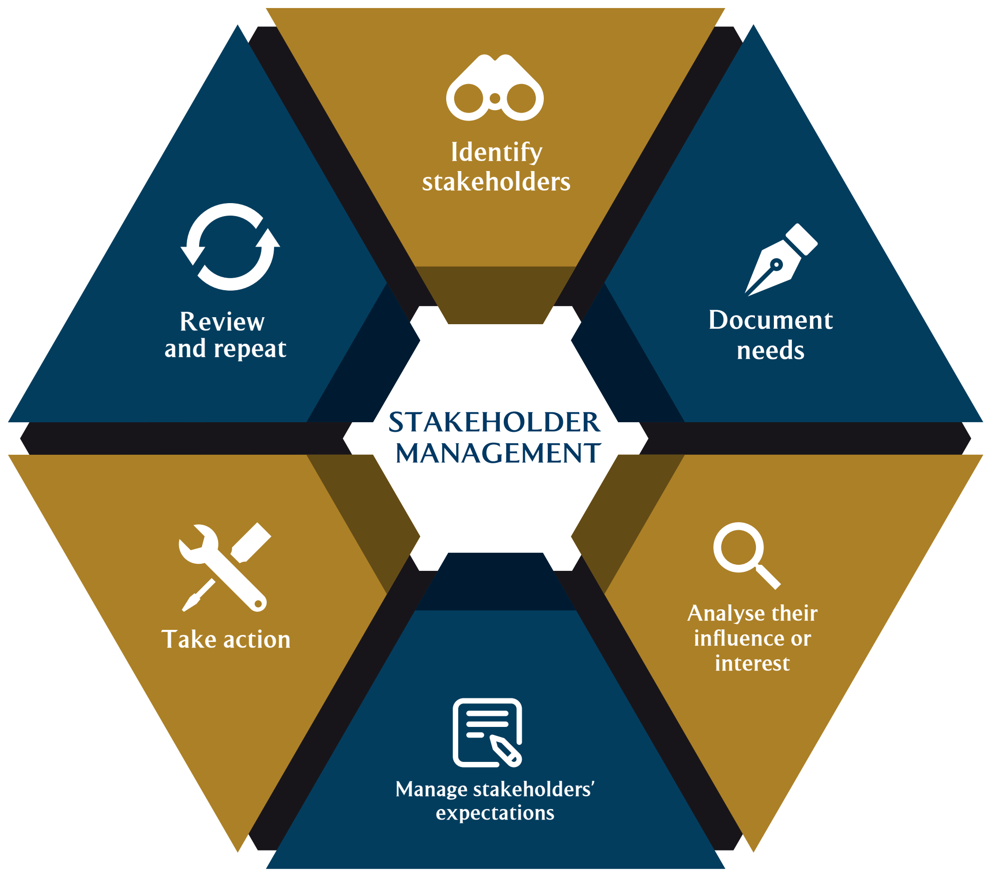
We also analyse stakeholder expectations and their impact on our business. Further, we are able to develop appropriate strategies and tactics for effectively engaging them in a manner appropriate to their interest and involvement in our business.

STAKEHOLDER MAP

OUR STAKEHOLDER MANAGEMENT PROCESS

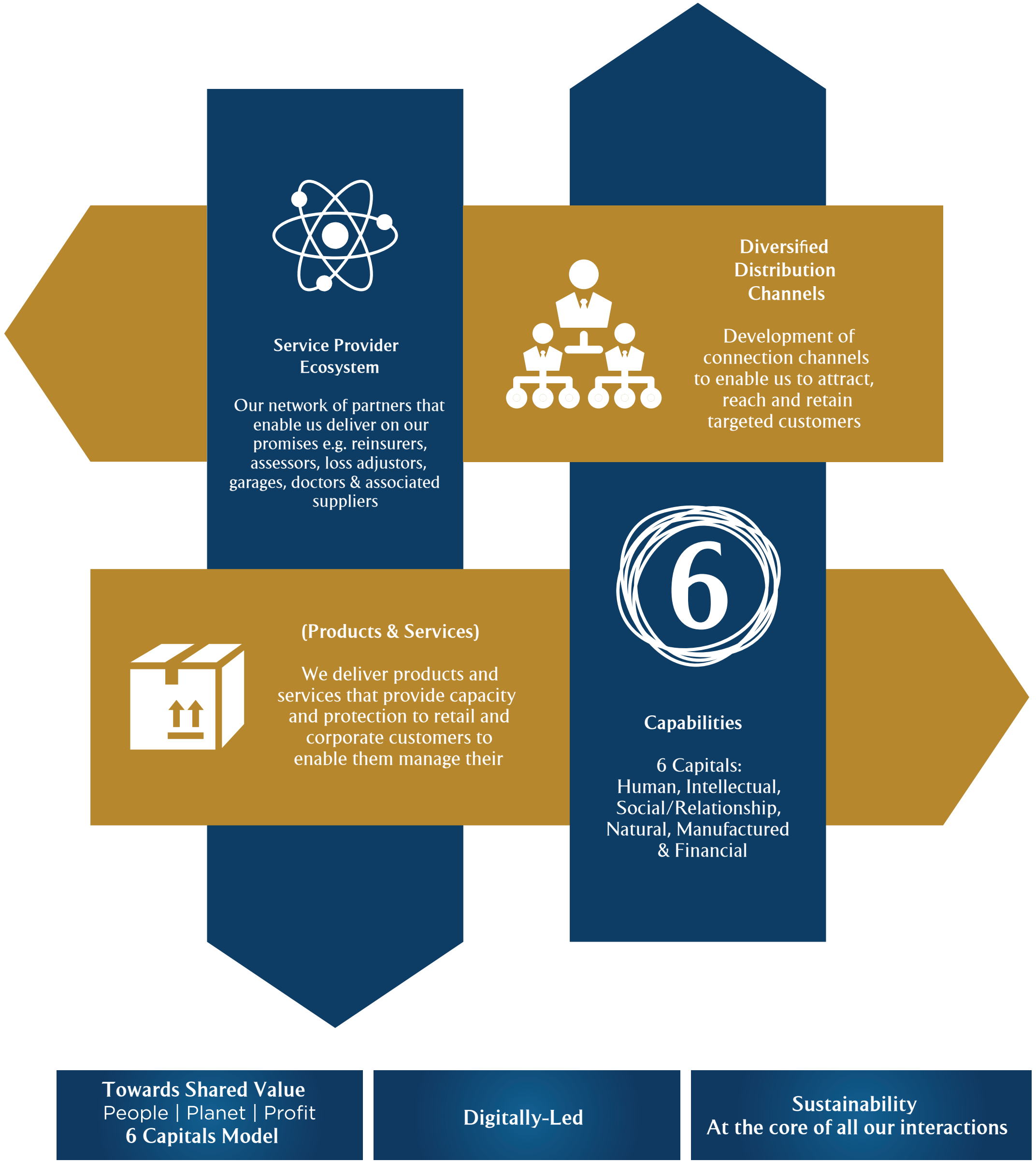
We have mapped our stakeholders according to their interest and influence. This mapping allows us to define appropriate engagement strategies for each stakeholder group.

Below is the process we follow in mapping and managing our stakeholders.



OUR STAKEHOLDERS

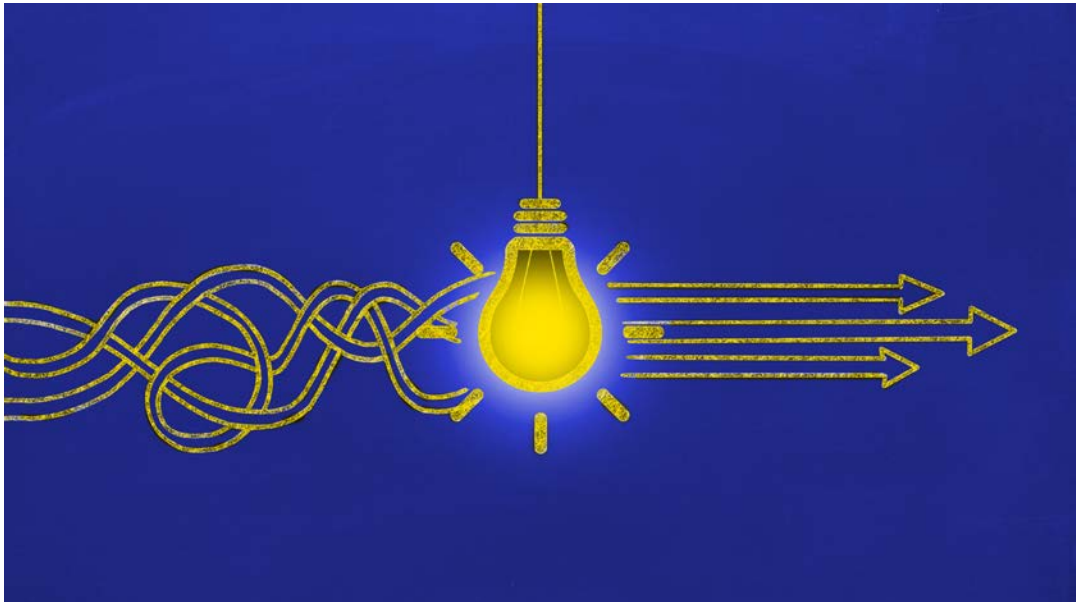
OUR BUSINESS MODEL



GENERAL MANAGER STRATEGY & INNOVATION STATEMENT

2020 marked the third year of implementation of our 2018-2022 strategy. The year came with its good share of challenges on the back of the COVID-19 Pandemic. This required us to think differently and be bold in the implementation of our strategic initiatives. Indeed, this Pandemic pushed us to even greater heights of innovation to enable us serve our customers even better.

The next page illustrates the strides we have made in our 2020 strategic initiatives:



PILLAR	STRATEGY	ACHIEVEMENT
CAPTURING GROWTH MARKETS	We aim to grow profitably in Motor and Medical classes	The group grew its motor book by 11% in 2020. The profitability of of this book improved from a loss of Kshs 221million to a profit of Kshs 28 million. The business is in the process of drafting its medical strategy and is currently exploring beneficial partnerships with key medical service providers.
SETTING UP A GROWTH & INNOVATION CENTRE	We planned to set up a GIC that would enable us to transform into an innovative, customer centric and insight-driven organisation.	During the year 2020, The GIC team contributed to the following Initiatives: - Developed our USSD platform for our retail clients for rollout in early 2021 - Developed LEO - our WhatsApp Chatbot for rollout in early 2021 - Kicked off the development a data aggregation platform for assisting in data analyics and related business insights. - Spearheaded the Agile Transformation Program for the Group. *Please refer to the Head of Digital Innovation's Statement on page 35-36 for more information on becoming an insight driven organization.*
DEVELOPING CUSTOMER CONNECTIVITY	We plan on positioning ourselves as the industry leader in customer experience excellence by focusing on developing a personalised experience for our customers through enhanced digital, data analytics capabilities.	At the heart of all we do is pursuing our customers delight. The Group has embarked on a holistic Customer Experience Journey review process aimed at building customer intimacy and delight. Further, our businesses have focussed on developing and rolling out online portals to have a wider reach to our existing and potential customers and to enable our customers access our services at their convinience. The general business specifically has rolled out the Motor Online Portal, the Travel Online Portal and the Marine Portal. In addition the business launched the Mobile App to enable our retail agents better serve our customers. The ICEA LION Chatbot code named LEO was launched in October 2020, the aim is to extend it to other products and touch points in 2021, having initially launched with our DigiTrust Money Market fund solution. In addition, the digitization of the key products and development of the onboarding packs will be achieved as part of the e-commerce website project. The ICEA LION General business is specifically focussing on the Partner's Portal to improve information sharing and servicing of intermediaries. This project is expected to be concluded in the first Half of year 2021.
WINNING WITH THE PARTNER & CHANNEL ECOSYSTEM	Our Group plans to regain power in the value chain through end-customer pull and partner value propositions as well as increasing relevance to end-customers through digital channels.	As mentioned above, one of the focus areas in 2021 is finalisation of the partners portal. This portal will enhance collaboration with our partners and hence drive value for both our business and that of our partners by enhancing visibility of information on key areas including but not limited to underwriting, commissions, loss experience as well as debt information. During the year, further enhancements were done to our claims system that connects us to garages and motor vehicle assessors, and now sell our salvage vehicles digitally.
BECOMING AN INSIGHT DRIVEN ORGANISATION	Our Group strategy is to establish analytics as a winning core capability. This will be done through creation of insights to drive the business as well as improve the customer experience	*Please refer to the Head of Data & Analytics' Statement on page 34-35 for more information on becoming an insight driven organization.*
HARVESTING GROUP SYNERGIES	Our Group strategy is to establish ownership and an operating model to capture untapped value from group synergies	Our Group Synergies Committee was set up to focus on identifying and exploiting opportunities to create value for the Group and all its Stakeholders; during the year a total of Kshs 2.5 billion worth of revenues was generated through group synergy for the Group and Kshs 125 million for general business.
GAINING PROFITABILITY FROM OPERATIONAL EFFICIENCY	We had planned to streamline our processes to make them seamless and efficient in order to minimise operating costs and better secure our customers	The group's profitability has improved on account of continued improvement on operational effeciency. The group has reported its highest underwriting profit during the year of KShs 391.3million. In addition, the group reported a profit before tax of Kshs 972 million despite recording revaluation losses on equities and properties of over Kshs 200 million.

MARTIN KARIITHI

HEAD-DATA & ANALYTICS STATEMENT

If you were to ask any major CEO about good management practices today, data-driven decision-making would invariably come up. However, for data-driven decision-making to thrive, it needs the right environment, which, is a function of the organization's culture. Culture is all-encompassing. It radiates through every action taken inside an organization — including deciding what is made and sold, which employees are hired and retained, which customers are serviced and how, what is measured and reported, and where time and money are invested. Attempts to change an organization's strategy, products, services, measurements, or reporting will be in vain if cultural change is not part of the efforts.

CULTURE & TALENT

To help foster the development of a data and analytics culture at ICEA LION, we made a series of internal investments in 2020 directed at assessing, hiring, internally developing and motivating our data and analytics talent. We first focused on understanding who was in our data and analytics community in order to provide a clear picture of our talent landscape. We then embarked on a professional certification program for data science to upskill the members of our analytics community. The training was well received and several members of the first training cohort are already making positive contributions to the organization through leveraging skills learnt from the training program. Through the Learning and Development department, ICEA LION is also offering learning curricula for non-analytics professionals that will provide a basic understanding of how to leverage value created from data.

DATA GOVERNANCE

In addition to effectively managing and developing existing data and analytics talent, ICEA LION also focused on the development and implementation of a robust data governance framework to serve as the foundation for our efforts to create value from data. Effective data governance requires multiple roles and capabilities that are unlikely to be found in one person. Within ICEA LION's Data Goverance framework, we created several new roles. For each role, several attributes were described, including the primary purpose, the key accountabilities, the breadth and depth as well as the experience required to perform the role. With this new framework, ICEA LION team members working in data governance roles will be mapped to role families and specific roles all within the oversight of our Information Governance Steering Committee.

CUSTOMER CONNECTIVITY

We believe our efforts in developing ICEA LION's data analytics capacity will go a long way towards helping shape and deliver tangible results for customers and our team members.

In particular, during these unprecedented times, our goal is to reinforce our ability to pivot, leverage data and analysis and mobilize quickly to respond to the needs of our customers, spinning up new and innovative ways to stay connected and answer questions.

We are already using customer data and analytics to personalize customer communications and renewal notices. To further strengthen and extend our capacity, we worked on building strong relationships with local universities and international research organizations through co-sponsoring events at these institutions, including hackathons and speaker series.

HEAD-DIGITAL INNOVATION STATEMENT


VERONICA SENTONGO

STRATEGY

The Growth and Innovation Centre (GIC) was set up in 2019 to enable our Group transform into an innovative, customer-centric and insight-driven organisation. In 2020, we began to see the fruits of this initiative.

ACHIEVEMENTS

Some of our key achievements within the year include:

- **ICEA LION DigiTrust Money Market Fund Online Portal:** Our first-in-class online portal that allows you to deposit in and withdraw from your money market fund account for as low as Kes 500. This was launched in Kenya at the tail end of the year to cater to our customers who would like to save and invest their money all the while earning interest, without having to physically visit our offices or deal with manual/ paper-based processing. Additionally, the solution is affordable hence democratizing investments for all Kenyans. With the Fund managed by our team of experienced Financial Advisors, we are able to securely provide superior return on investments.
- **Leo, our WhatsApp Chatbot:** This was designed and launched to customers to enable them carry out their daily transactions using their most comfortable and accessible social media messaging platform. It enables our customers to service their accounts with ease if they have access to WhatsApp.

- **Our USSD Channel:** This was launched to customers providing even more convenience with a focus on our customers who do not own smart phones or access to mobile data bundles. Using our short code *793#, our customers can seamlessly connect to ICEA LION and transact.
- **Our Self-Service Channel:** This was enhanced to enable our customers across the Group (Pensions, Investments, Insurance and Trusts) make payments, view statements, withdraw money, log claims or serve their accounts using a single platform 24/7.

The implementation of the above Online Channels in 2020 collectively improved servicing for our clients and freed our teams to focus on other business initiatives. The automation of the repetitive and mundane tasks has also created the convenience that only technology can provide.

EFFECTS OF COVID-19

The pandemic has been a double-edged sword for us as an organisation – forcing us to stress test the measures we had been putting in place to propel our customers into the "the future". Essentially, we were compelled to progress our Innovations to the market expeditiously with a keen focus on cyber security.

To do this, we adopted **Design Thinking and the Agile Methodology** principles in order to ensure that small effective cross-functional teams worked to deliver best-in-class solutions to our customers. Working very closely with our delivery partners, we used vast customer insights and recommendations to design our solutions.

Data Analytics was immersed in each ideation session ensuring that all our decisions were insight-driven with a focus on **User Experience and Human-centred design** – in short, our designs are "**made by humans for humans**".

We are fortunate to have both an expressive and appreciative customer base constantly challenging us to do more and be more. At the peak of the pandemic, with few customers keen to come to the branch or meet our Agents in person, these innovations were warmly received by our customers. This is because they were now able to buy products online, view their statements, renew their policies and make payments and withdrawals at anytime, anywhere using their mobile phones.

CHANGE BEGINS AT HOME

Using an inwards-out approach, we ensure that we test all our solutions in-house with our team members before we launch them to our customers. We also take the teams through rigorous training and a keen review of all the processes required to support the innovation is completed before the launch of the product to our customers. This way, our team members become our ambassadors and trainers ensuring each of them has been equipped to respond to customer queries – whether or not they are customer-facing.

SHAREHOLDER COMMITMENT

Our Shareholder investment has always been heavily aligned with technological advancement and innovation – the inception of the GIC is a clear indication of their commitment.

With 2020 being used as a Proof of Concept, we have their full support to continue in this vein. Their investment in training and skills enhancement has also prepared the team members for the evolution of our roles in line with the technological advances. We have however been challenged to ensure that the value of this investment can be demonstrated in terms of new revenue streams and internal efficiencies clearly demonstrated.

FUTURE OUTLOOK

In 2021, our customers should expect an exciting new range of digital products and online-enabled services. eCommerce will also continue to be an enabling factor for extending our online and mobile capabilities through Kenya, Uganda and Tanzania. With the incorporation of Machine Learning and Big Data, we will be customising our product offers more to the individual customer needs.

Already our customers are experiencing more regular communication, increased account transparency through regular email statements and instant receipting for majority of our customer payments.

Our focus on Thought Leadership has enabled more regular access to our team of Financial Service experts through our online webinars, Customer Contact Centre, social media channels, newsletters, email and SMS messaging.

2021 is the year for us to show our customers that we are listening and are working each day to be more responsive and connected.

GOVERNANCE STATEMENTS

03

CHAIRMAN'S GOVERNANCE STATEMENT

> "We believe that a strong corporate governance framework and culture translates to a strong company that delivers for its stakeholders."

On behalf of the ICEA LION General Insurance Board, it is my pleasure to share with you this comprehensive 2020 Corporate Governance Report.

We are committed to achieving the highest standards possible, in terms of accountability, integrity, fairness, responsibility and transparency. In pursuit of this objective, we have put in place formal structures to support corporate governance. These structures are regularly reviewed in order to strengthen and improve them. In light of this, we have implemented best practice governance guidelines including the King IV Corporate Governance Code to guide our governance processes. We have also used the International Integrated Reporting Council (IIRC) Framework in providing these disclosures.

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

BOARD OF DIRECTORS

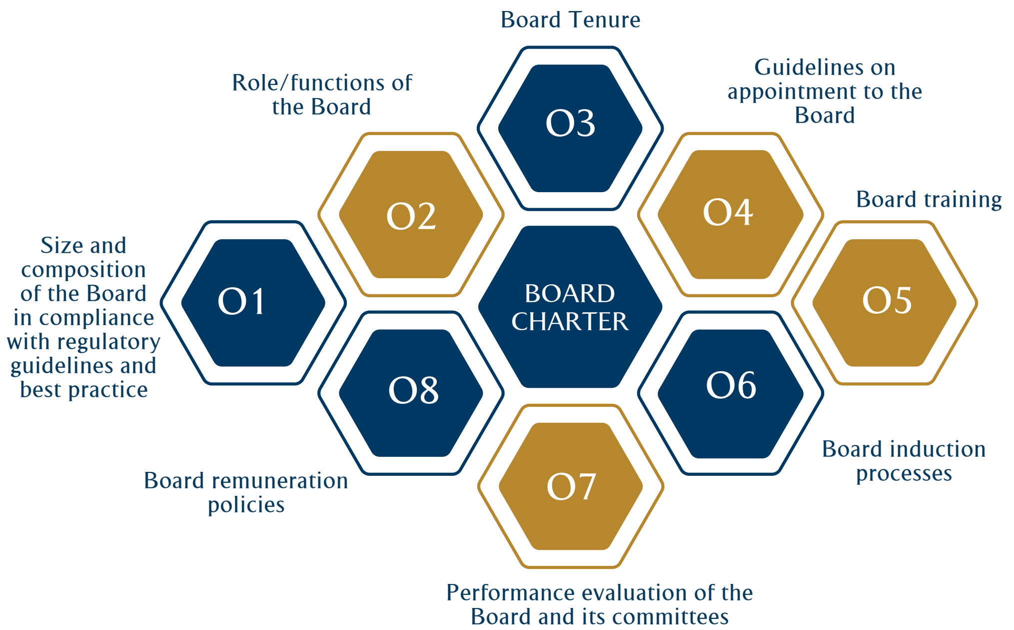
Our Company's Board is responsible for the development of corporate governance practice and ensuring compliance by all the Company's organs. We deliver this through Board Committees and by having in place business principles and practices as well as internal control and risk management processes that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

BOARD CHARTER & WORK PLAN

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

OUR BOARD CHARTER

Key components in our Board charter include the following:



BOARD COMPOSITION & APPOINTMENTS

Our Board of Directors consists of the Chief Executive Officer, and ten non-executive directors including myself as Chairman. These 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. Three new directors came on board in 2021. These are Doug Lacey, Norman Kelly and Joe Wangai. These directors bring in a new and diverse set of skills to 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 profile of our Board members by introducing younger board members.

BOARD MEETINGS AND INFORMATION FOR DIRECTORS

In 2020, our Board met four times on pre-set dates, to review and monitor the implementation of strategic initiatives and business plans, review quarterly financial results, approve financial reports and maintain effective control over strategic, financial, operational and compliance issues. In carrying out the above responsibilities, our Board delegates its authority to the Chief Executive Officer to oversee the day to day operations of the Company.

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

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

BOARD EVALUATION

Regulations calling for board evaluation represent the minimum requirements, and this, carried out by an external consultant, coordinated by the Chairman and Company Secretary, 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. Board evaluations carried out in prior years continue to inform improvements we are making to our governance processes.

GOVERNANCE AUDIT

As part of our continuous improvement and benchmarking of our governance processes, ICEA LION has undergone governance audits carried out by the Institute of Certified Secretaries (ICS-Kenya) in prior years. We continue to close these gaps as a means of continuous improvement.

ROLE OF THE CHAIRMAN & THE CHIEF EXECUTIVE OFFICER (CEO)

The Board is committed to a clear division of responsibilities between the Chairman and the CEO. The Chairman is responsible for managing the Board and providing strategic leadership to the Company.

The CEO directs the implementation of Board decisions and instructions. Our CEO steers our organisation to realise its strategic objectives in conjunction with the senior leadership team.

OUR BOARD COMMITTEES

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

(A) BOARD AUDIT & RISK MANAGEMENT COMMITTEE

This committee is chaired by a non-executive director. There are three non-executive directors, two of whom are independent, who sit in this committee. The CEO, General Manager (Strategy & Innovation), General Manager (Business Development & Distribution), Chief Finance Officer, Manager (Internal Audit) and the Manager (Risk and Compliance), attend by invitation.

The committee met four times in 2020 and is responsible for ensuring that the systems and controls, procedures and policies of the Company as well as risk management activities are properly established, monitored and reported on. The committee meets to review external auditors' plans and reports, internal audit reports and any proposals or reports that affect ICEA LION's internal control environment. Matters relating to ethics and policy holders protection are dealt with by this committee.

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

BOARD OF DIRECTORS MEETING ATTENDANCE

Main Board Meeting

Name	Designation	23.03.2020	01.07.2020	25.09.2020	11.11.2020
Dr C W Obura	Chairman	√	√	√	√
J P M Ndegwa	Member	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
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	√	√	√	Retired
Dr C. Mwangi	Member	√	√	√	√
M. Manga	Member	√	√	√	√
Ms M. Abdullahi	Member	√	√	√	√
K. Thuo	Member	√	√	√	√
P. Muthaura	Appointed Chief Executive Officer on 01.10.2020 and Director on 16.10.2020	X	X	X	√

Board Audit, Risk and Compliance Committee

Name	Designation	10.03.2020	23.06.2020	22.09.2020	10.11.2020
J K Muiruri	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
Dr C. Mwangi	Member	√	√	√	√
J K Kimeu	Member	√	√	√	√
D G M Hutchison	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
R M Ndegwa	Member	√	√	√	√
S O Oluoch	Chief Executive Officer	√	√	√	Retired
P Muthaura	Appointed Chief Executive Officer on 01.10.2020 and Director on 16.10.2020	X	X	X	√

√ Attended × Not Attended

Board Finance & Investment Committee					
Name	Designation	13.03.2020	22.06.2020	21.09.2020	09.11.2020
A S M Ndegwa	Chairman	√	√	√	√
J K Kimeu	Member	√	√	√	√
J K Muiruri	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
M Manga	Member	√	√	√	√
S O Oluoch	Chief Executive Officer	√	√	√	Retired
P Muthaura	Appointed Chief Executive Officer on 01.10.2020 and Director on 16.10.2020	X	X	X	√

Nomination & Remuneration Committee				
Name	Designation	20.03.2020	30.10.2020	
J P M Ndegwa	Chairman	√	√	
A S M Ndegwa	Member	X	√	
Dr. C. Mwangi	Member	√	√	
J K Muiruri	Member	√	√	
J K Kimeu	Member	√	√	
S O Oluoch	Chief Executive Officer	√	Retired	
P Muthaura	Appointed Chief Executive Officer on 01.10.2020 and Director on 16.10.2020	X	√	

Board Growth, Innovation & ICT Committee Meeting					
Name	Designation	13.03.2020	22.06.2020	21.09.2020	09.11.2020
M Manga	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
J K Muiruri	Member	√	√	√	√
J K Kimeu	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
Mariam Abdullahi	Member	X	X	√	√
S O Oluoch	Chief Executive Officer	√	√	√	Retired
P Muthaura	Appointed Chief Executive Officer on 01.10.2020 and Director on 16.10.2020	X	X	X	√

√ Attended × Not Attended

(B) BOARD FINANCE & INVESTMENTS COMMITTEE

Two non-executive directors, one of whom is independent, and two other directors sit on this committee. The CEO, the General Manager Strategy & Innovation, the Chief Finance Officer and the CEO of ICEA LION Asset Management Limited attend by invitation.

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

(C) BOARD GROWTH, INNOVATION AND ICT COMMITTEE

This committee is chaired by a non-executive director. Two other non-executive directors, both of whom are independent, and two other directors also sit in. The First Chartered Securities Group Information Systems Manager, the CEO, the Assistant General Manager (ICT), the General Manager (Strategy & Innovation) and Manager (Risk and Compliance), attend by invitation. This committee met four times in 2020. This committee reviews the ICT Strategy including ICT Security and Business Continuity Plans (BCP), recommends ICT projects for Board approval, reviews recommendations on the annual budgets and monitoring project implementation. It also vets the Company' innovation strategy and investments in innovation development prior to submission to the Board for approval. It monitors compliance with the approved innovation strategy, including innovation portfolio mix and the progress made in its implementation.

(D) BOARD NOMINATIONS & REMUNERATION COMMITTEE

Two non-executive directors, one of whom is independent, and two other directors sit on this committee. The committee meets at least twice a year or more frequently as required. This committee is responsible for making recommendations to the Board on executive remuneration and incentive policies, recruitment, retention and termination policies for senior management, remuneration framework as well as succession planning.

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.

OUR SUSTAINABILITY PRACTICES

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

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. In addition, this positions us as a market leader as we seek dominance towards shaping policies that positively influence the insurance market.

OUR ROLE IN CLIMATE CHANGE

During the year, the Group participated in the largest pioneer collaborative effort by insurers to pilot the use of climate change scenarios to better assess climate related physical, transition and litigation risks in the insurance business. We joined 21 other leading insurers —representing over 10% of world premium & USD 6 trillion in assets—to pilot some of the most challenging recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

We have been active in this scene and have contributed our resources in supporting this initiative including participating in a series of round-tables and workshops where we have tabled information on the African view and experience, presented and analyzed data, among other tasks that are expected of pilot group members. Our future outlook is to bring on board more insurance companies and walk with them on this journey as we tackle this global challenge.

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 manager. This position is the focal point of in-house risk management compliance monitoring, authentication and related activities. This function has coordinated the setup of the risk appetite by the Board of Directors which has been cascaded to the senior management team.

Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. We also have in place an independent internal audit function headed by a senior manager. 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:

- Identity & manage business risks
- Identity & adopt best business risks
- Maintain compliance with appropriate legislation and internal policies and procedures
- Maintain proper accounting records
- Provide reliable financial information
- Safeguard assets

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

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

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, we follow local and international guidelines and standards for rules-compliant and values-based corporate leadership. These guidelines include:

1. The Corporate Governance Code for Private Sector Organisations
2. UNEP FI Principles of Sustainable Insurance (PSI)
3. The Anti-Money Laundering Guidelines by the Insurance Regulatory Authority (IRA)
4. The UK Corporate Governance Code
5. Organisation for Economic Co-operation and Development (OECD) Principles on Corporate Governance
6. The King IV Report
7. Financial Action Task Force (FATF) among others

By recognising and supporting these local and international principles, we manage the risk of violating legal and regulatory provisions and requirements (compliance risks). This also means that our customers benefit from the fact that sustainability and social responsibility are integrated into corporate behaviour. The Company has been careful to ensure that we adhere to and continuously improve our standard of corporate governance. In light of this, we will continuously work toward full compliance to the King IV Governance code.

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

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

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

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

ACTUARIAL FUNCTION

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

CONFLICT OF INTEREST

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

DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 50(e) to the financial statements for the year ended 31 December 2020. (See page 175).

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 11(a) and 50(e) to the financial statements for the year ended 31 December 2020. (See pages 144 and 175).

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 quarterly business review reports that are 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 International Financial Reporting Standards (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.

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.

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

CHAIRMAN'S STATEMENT
BOARD FINANCE & INVESTMENT COMMITTEE

> *Despite the tough economic times in 2020 occasioned by the COVID-19 pandemic, ICEA LION General's overall investment portfolio remained resilient and profitable.*

It is my pleasure to present the report of the Board Finance and Investment Committee for the year ended 31 December 2020.

The Committee is charged with the responsibility of:

01 Reviewing and recommending to the Board the Company's asset allocation policies and strategies including Asset Liability Matching

02 Reviewing investment policies and strategies

03 Monitoring compliance with the approved investment strategy including investment mix

04 Monitoring the performance of the investment portfolio

05 Recommending investment proposals to the Board for approval and overseeing investment projects

06 Engaging and overseeing the performance of investment managers and consultants

Mid-way through March the first COVID-19 case was reported in the country. This posed immediate challenges to both our ways of working and to the performance of our businesses. We responded quickly, switching the committee meetings from physical to virtual and working from home on a rotational basis. We immediately embarked on impact assessment, risk mitigation and adjusting our investment approach as far as possible and necessary.

I am pleased to be able to report that despite the significant impact the Pandemic has had on the economy and markets our investment portfolio has proven to be resilient. This is largely due to the fact that our investment objective over the years has been to produce long term stable returns which are competitive on a risk-adjusted basis, and our asset allocation and investment strategy are designed to achieve this objective.

The most immediate and significant impact of the Pandemic on our investments was felt on our quoted equity portfolio, which reduced in value as a result of the 30% (*NSE 20 Share Index*) slump in prices on the Nairobi Securities Exchange between 1 January 2020 and 31 December 2020. The impact was however mitigated by the careful selection of the stocks in which we invest and the relatively limited allocation of assets to this class of investment. At the end of the year, the revaluation losses on our equity portfolio amounted to Kshs 153 million at the Company level and Kshs 149 million at the Group level.

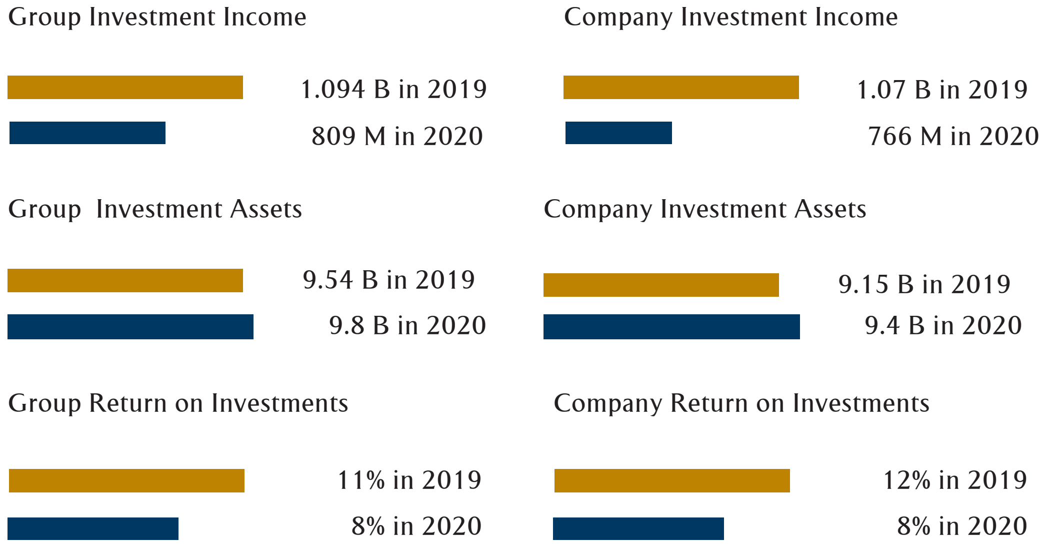
Our investment properties constitute about 29% of total investment assets. During the year, rental earnings were affected by concessions extended to our tenants who were significantly impacted by the Pandemic. Additionally, because of dampened demand, the average occupancy ratio of our property portfolio decreased. Due to these factors, our investment properties returned revaluation losses to the tune of Kshs 55 million at the end of the year.

As I alluded to earlier our investment strategy places emphasis on capital preservation and stability of returns, and in recent years this has guided us to adopt a 50% plus allocation of investment assets to the fixed income class. This model has underpinned the resilience of our investment portfolio with the result that after absorbing the reported revaluation losses on our property and equity holdings we were still able to return an overall yield on our investments of 8%, which while considerably lower than the 11% generated in 2019 was a satisfactory outcome given the circumstances.

As a committee we endeavor to continuously upskill on various topics to enable us improve on the execution of our mandate.

During the year our chosen area of focus was on Asset and Liability Matching, and we underwent valuable training facilitated by KPMG which will help us improve our ALM models and refine our approach in what remains a very challenging and complex investment environment.

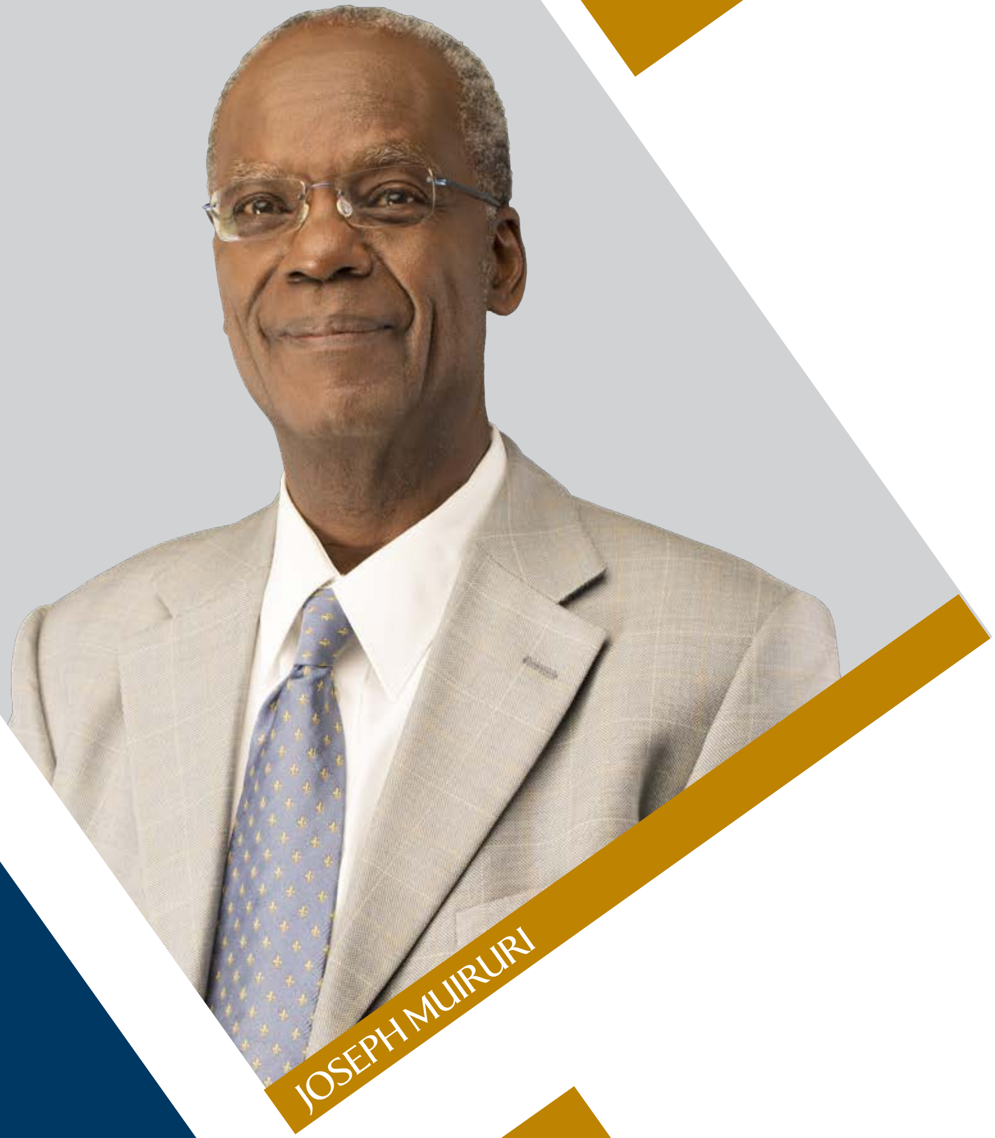
The Group and Company's investment portfolio performance was as follows:-



The occupancy rates and rental yields for the three properties as at 31 December 2020 were as follows:-

1 PROPERTY	2 TYPE	3 OCCUPANCY RATE	4 RENTAL YIELD
Lions Place	Residential	91%	9.9%
Williamson House	Commercial	95%	9.1%
Arboretum View	Commercial	74%	3.5%

ANDREW NDEGWA | CHAIRMAN



CHAIRMAN'S STATEMENT
BOARD AUDIT & RISK COMMITTEE

> *"Our prudent approach to risk management enabled us to remain resilient in a highly Volatile, Uncertain, Complex and Ambiguous operating environment."*

The fundamentals of good governance and effective oversight arrangements are all the more important during the COVID-19 crisis, as we, like many other organisations, face significant uncertainty in a rapidly changing risk landscape. In spite of a new and challenging operating environment occasioned by the pandemic, our prudent approach to risk management afforded us the opportunity to remain resilient in a highly Volatile, Uncertain, Complex and Ambiguous (VUCA) operating environment.

BALANCING OUR CORE RESPONSIBILITIES WITH EMERGING PRIORITIES

The Committee had to be highly vigilant on an expanding range of new issues. In light of this, the Committee had to review its agenda and priorities in response to COVID-19. This, we did, while focusing on our fundamental responsibilities in respect to the oversight of financial reporting and internal controls, which added complexities arising from the crisis.

This pandemic period led to unprecedented times with high levels of uncertainty about the economy and stock market performance as well as increased health and safety risks of staff. There was also the shift to remote working which for the Group worked very well with 60-70% of staff being able to work comfortably from home during this period.

The top of mind issues for the Committee during this period was:

01 **Monitoring impact on profitability, cash flow, capital preservation and a renewed focus on the strength of the statement of financial position, as well as identifying early signs of financial stress, going concern considerations, and other financial reporting implications, such as accounting estimates and events after the reporting period.**

02 **Third-party risk management, scenario planning, awareness of new legislation specifically on workplace health and safety, and ensuring comprehensive business continuity thinking that was relevant for the times.**

03 **Monitoring and maintaining an effective internal control environment, taking into account changes as a result of updated policies and procedures, increased cyber security and data privacy issues, and displacement of staff many of whom were working remotely.**

04 **The potential for heightened risk of fraud due to financial pressures and new operating environments.**

As a Committee, health and safety risks took centre stage during the year under review, with the risk appetite guiding the Group's Crisis Management Team's oversight activities during these unprecedented times

The Committee therefore carried out the following:

01 Provided oversight to the Groups Pandemic Response plans in liaison with other Board Committees.

02 Reviewed the Company's Integrated Report

03 Reviewed the effectiveness of the internal controls and the work of Risk and Internal Audit functions

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

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

The Statement of Directors' Responsibilities on this can be found on page 95 of this report.

COMPANY CAPITAL ADEQUACY

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

FILING OF STATUTORY RETURNS

The committee reviewed the filing of various statutory returns in Kenya and Tanzania and was satisfied with the compliance levels. No major issues were noted during the period under review.

INFORMATION TECHNOLOGY

As part of its oversight responsibility, this Committee reviews controls over ICT.

The Company has a qualified ICT systems auditor who reviews ICT systems general controls with an aim of providing an independent assurance on the effectiveness and efficiency of IT controls. Aside from that, 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. Cyber security continues to be top on the agenda with focus placed on the implementation of the Group's cyber risk strategies. No major information security breaches were noted in 2020.

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.
In order to do this, the Committee:

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

The Group's principal risks are set out from pages 54 to 63 and pages 121 to 140 of this report.

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

01 Recruitment of suitable qualified and experienced finance, internal audit and risk team members

02 Segregation of duties, clear reporting lines and accountability and delegation of authority

03 Policies and procedures that cover financial planning and reporting, preparation of financial and non-financial information and capital expenditure

04 A robust period-end review process including review and commentary from process owners

05 A tiered review process for external financial reports involving internal stakeholders from relevant areas of the business

No significant failings or weaknesses of internal control were identified during these reviews. Where 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 Pricewaterhouse Coopers 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:

- Terms, areas of responsibility, duties and scope of work of the external auditor
- Audit work-plan for the Group
- Detailed findings of the audit including a discussion on major issues that arose during the audit
- The letter from the external auditor confirming their independence and objectivity
- 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.

Key highlights of these reviews are indicated overleaf.

AUDIT FOCUS AREA	MEETING DATES 2020	OVERALL RATING
IT Security Incidents Detection, Response and Recovery	10th March	No critical internal control weaknesses were identified during the review.
Operations Internal Audit Report	10th March	Critical controls were effective. Where minor process gaps were identified, management instituted remedial measures in a timely and effective manner.
Contact Centre Systems- Zoho CRM and Ameyo	23rd June	The control environment needed improvement. Clear action plans were put in place with defined timeframes and management responsibility to address the control lapses.
Systems Development & Project Management	22nd September	Where limited weaknesses existed and controls could be further enhanced, clear action plans were put in place with defined timeframes and management responsibility.
Group Shared Costs as at 30 June 2020	22nd September	No critical internal control weaknesses were identified during the review.
Anti-Money Laundering	10th November	Where limited weaknesses existed and controls could be further enhanced, clear action plans were put in place with defined timeframes and management responsibility.
ICT Network Operations	10th November	The control environment was acceptable with medium-to-low risk issues having been identified. Clear action plans were put in place with defined timeframes and management responsibility to address the highlighted issues.

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 Group is in the process of deploying a Dynamic Risk Assessment approach which will enable a connected view of risks; away from the traditional, two dimensional view of risk, by mathematically and visually illustrating risk connectivity, contagion and clusters. This interconnected view of risks will enable us to better manage the threats and opportunities that we face; enabling more efficient and targeted allocation of resources in this era of uncertainty.

JOSEPH MUIRURI | CHAIRMAN

CHAIRMAN'S STATEMENT
BOARD REMUNERATION & NOMINATION COMMITTEE

"The Committee's mission is to support the Board's Vision of a Group characterized by integrity, robust governance and performance-based remuneration and reward."

The role of this Committee is to make recommendations for the appointment of potential directors and also evaluate the performance and effectiveness of the Board, its Committees and Directors as well as succession planning. The Committee is also responsible for making recommendations to the Board on executive remuneration and incentive policies, recruitment and retention policies for senior management and the remuneration framework for directors, among other matters. The Committee meets at least twice a year and is responsible to the Board.

In 2020 the Committee executed the following key actions:

01 Reviewed and approved strategies for securing the health and safety of employees and other stakeholders in line with Ministry of Health guidelines on COVID-19. This provided an environment that supported business continuity and ensured effective response to mitigate health and safety risks for employees.

02 Reviewed the Company's compliance with regulatory framework, Best Practice, Corporate Governance and relevant codes.

03 Oversaw the recruitment of senior management.

04 Reviewed and approved an enhanced employee benefits structure.

05 Considered and approved proposed human resource policies.

EXECUTIVE APPOINTMENTS

The Committee made the following executive appointments;

CHIEF EXECUTIVE OFFICER ICEA LION GENERAL – PAUL MUTHAURA

Paul Muthaura, previously the Chief Operating Officer ICEA LION General was appointed the Chief Executive Officer effective October 1, 2020 to succeed Steven Oluoch. Prior to joining the ICEA LION Group, Paul was the Chief Executive Officer of the Capital Markets Authority where he worked for 14 years in various positions. Paul has a legal background with degrees in both law and finance. His very broad exposure and experience will be of great benefit to the Company and the Group.

Steven Oluoch, the immediate former Chief Executive Officer of the ICEA LION General Insurance, retired after 10 years of exemplary performance. The Group acknowledges his great contribution. We also look forward to retaining and drawing from his wealth of experience as he joins ICEA LION General Insurance's Tanzania Board of Directors as a Non-executive Director.

BOARD APPOINTMENT

Paul Muthaura was appointed as a Director of ICEA LION General Insurance Company Limited on 16 October 2020.

REMUNERATION PHILOSOPHY

The Group is committed to a remuneration philosophy that focuses on rewarding consistent and sustainable individual and corporate performance.

It ensures that an appropriate balance is achieved between the interests of shareholders, operational and strategic requirements of the Group and offers attractive and appropriate remuneration packages. The Group has a competitive remuneration structure that enables it to attract, motivate, reward and retain highly talented people.

JAMES NDEGWA | GROUP CHAIRMAN

CHAIRMAN'S STATEMENT
BOARD GROWTH, INNOVATION & ICT COMMITTEE

> *More than ever before, our global economy is being enabled by the power of technology. It is estimated that by 2030 humanity shall have over 50 billion devices connected to the internet. The insurance industry is not immune to this digital revolution.*

Dubbed the year of the great reset, 2020 has proven not only to be one of mankind's greatest challenges since World War II due to the COVID-19 pandemic but equally an opportunity for the technological advancement of society. The COVID-19 protocols have physically distanced society in the work place and social settings. Inevitably, technology and innovation has become the ultimate bridge of contact. Despite the setback, our innovation and ICT teams at ICEA LION have continued to grow and develop, deepening our Group's market reach via robust digital initiatives. I am delighted to highlight the key milestones and future plans of this great team.

MAKING WORK FROM HOME WORK

Making work from home a possibility in today's world is no longer a luxury but a necessity to any company's survival. With the advent of mandatory work from home cultures, we have focused greatly in building the necessary infrastructure to seamlessly support this. Apart from providing infrastructure, software protection through cyber security resilience programs are incredibly important.

Below are some of the measures that have been taken. We hope that the measures provide comfort to our team members, our Group and customers a like;

- Group-wide online cyber awareness training and campaigns - For online security and cyber resilience
- ICT Infrastructure and security upgrades - Towards building a resilient ICT infrastructure to support business operations
- Communication network upgrades - Towards improved systems availability across our branches and business continuity

2020 ACHIEVEMENTS

Our greatest focus in 2020 was centered on digital transformation projects. Specifically of note were; operational efficiency, customer connectivity and winning with the partners and channel ecosystems. In addition to this, there has been emphasis on the softer elements of the business such as enhancing our brand's appeal to the wider retail segment as well as communicating effectively to existing and potential customers on our products and services. All this has enabled our Group to delve deeper into the customer journey thus enhancing their experience whilst growing our bottom line and digital market share.

The following are the initiatives that were realized in the year:

- Roll out of the innovative DigiTrust investment product
- Roll out of the Motor Garage and Assessment management system
- Enhancement of our customer self-service portals to incorporate ecommerce capabilities as well as roll out of a partners portals for our Intermediaries and Deposit Administration partners
- Realization of value on the mobile application through increased use by our agents
- Roll out of a USSD channel for customer connectivity
- Training and roll out of the agile methodology in transforming our value delivery culture
- Implementation of core system improvements arising from process optimization and resulting in shorter customer service timelines
- Embedding data analytics in product improvement and development through machine learning and predictive algorithms
- Provided opportunities for data and analytics-oriented employees to train and certify in data analytics through in person classes and access to an online platform for self-learning and development
- Developed and ratified a data governance policy that focused on data quality, data risk management, building organizational capabilities, and putting data to work in new ways
- Kicked off Brand Health Review and Revamp Initiative

FUTURE OUTLOOK

The recent proliferation of COVID-19 vaccines across the world heralds a probable change in global economic outlook. The World Bank forecasts that Kenya's GDP growth shall rebound to 5.7% in 2021, a healthy level. The opening up of the economy will mean more demand for our products and services and in particular our digital assets. With this in mind, we look to incorporate the following deliverables in our 2021 workbook:

- Deriving value from digital assets
- Leveraging strategic partnerships across the group
- Digital transformation initiatives: Roll out of products on digital channels and website revamp
- Core System Improvements
- Enhancement of document and process flow systems
- ICT Operations and infrastructure improvements
- Cyber Security maturity improvement
- Embedding data analytics and governance towards being an insight driven organization

APPRECIATION

The journey towards success is often driven by collaborative teams. The same is exhibited at ICEA LION Group. Therefore, I take this opportunity to thank the ICEA LION Group Board, Committee members, heads of departments and their squads in the tireless and superb work they continue to execute with enthusiasm and full of pep, particularly in the most dynamic of times. I look forward to working closely with the committee in the new calendar year.

MUGWE MANGA | CHAIRMAN

ICEA LION
GENERAL INSURANCE

OUR RISK LANDSCAPE

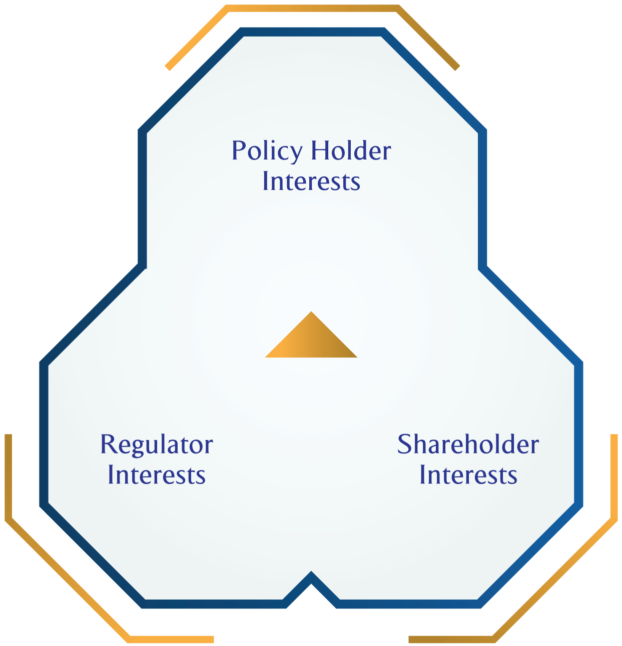
04

MANAGING CURRENT RISKS

Our stakeholders across East Africa are forever changed by the COVID-19 pandemic. They are interacting in new ways, exploring new services and facing new risks. Our role as an underwriter is to manage collective risks passed to us by our clients. Due to the changing landscape, products sold and the customer profile have attained a sophistication that requires more stringent risk management principles.

UNDERSTANDING INTERESTED PARTIES.

The following are three main interested parties, namely; the policyholders, the shareholders and the regulators whose interests must be protected at all times.



We are exposed to the following risks within the course of our day to day business:

HEALTH, SAFETY & PSYCHOSOCIAL RISKS

Health, safety and psychosocial risks were heightened during this pandemic period. Our Group took a risk averse approach to health and safety with the Crisis Management Team taking the decision to ensure as many team members as possible worked from home. Changes were made in relation to workloads, work schedules and work-life balance. New IT equipment and infrastructure were purchased to support this new working arrangement. Teams were also provided with the ability to purchase home office furniture and electricity back-up equipment through partnerships that our Group has with various institutions. The pandemic also exacerbated psychosocial risks many of which emerged during the period of the rapid spread of the virus and strict isolation measures. In light of this, our Group enrolled all team into the COVID-19 wellbeing program. Frequent communication and training was done through the leadership team and health professionals as well as provision of medical support to team members and their dependants.

INSURANCE RISKS

The risk that the cost of contractual claims may be higher than that assumed in the premium basis. Adequate reinsurance is in place for all classes of business.

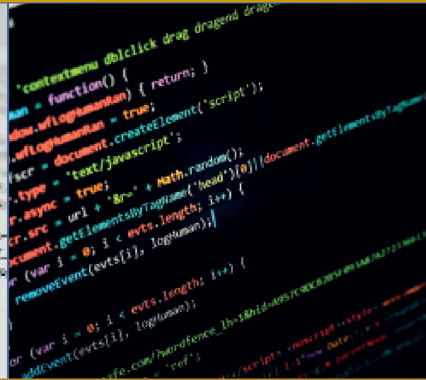
There is also compliance with the underwriting and claims processes and procedures, which includes risk surveys, use of loss assessors, among others.

CREDIT RISKS

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

There is continuous engagement with all relevant stakeholders with regards to follow-up of debts.

There is a 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.



OPERATIONAL RISKS

These risks include losses arising from inadequate or failed internal processes, human errors or external events.

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

STRATEGIC RISKS

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

There are adequate controls and oversight processes with regards to strategic initiatives including regular updates and progress tabled at the Board.

MARKET RISKS

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

A board-approved Investment Policy Statement and Asset Liability Matching Policy ensures that assets are matched to liabilities and the investment mix is set accordingly.

Our Company has engaged the services of a professional Asset Manager to leverage on market intelligence.

LIQUIDITY RISKS

This is the risk that our Group may be unable to meet its liabilities as and when they fall due.

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

REPUTATION RISKS

This is the risk of damage to our 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. We have no appetite for reputation risk.

We have set up a Crisis Management Team that handles reputational risks that may arise out of adverse media coverage, social media incidences, among others.

BUSINESS CONTINUITY RISKS

This is 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.

We have formalized business continuity, disaster recovery and crisis management plans.

COMPLIANCE RISKS

These arise 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.

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.

FRAUD RISK MANAGEMENT

Fraud risk is defined as intentional dishonest activities or wilful misrepresentation which may deprive or harm the Company. They can be perpetrated by management, employees or third parties.

We have integrated fraud risk management within the enterprise risk management activities. We commit to the highest possible standards of openness, probity and accountability in all our affairs. In light of this, we are determined to maintain a culture of honesty and zero tolerance to fraud and corruption. A board-approved fraud management policy is in place and it defines processes in relation to reporting and managing fraud and corruption. Key elements of this fraud management system includes:

- Deployment of a whistle-blowing policy through an independently managed hotline
- Deployment of an Anti-Bribery policy
- Sanctions including legal actions against those found to have committed fraud
- Fraud awareness program through training
- Due diligence processes for new staff, suppliers and other stakeholders

BUILDING RESILIENCE THROUGH RISK INTELLIGENCE

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

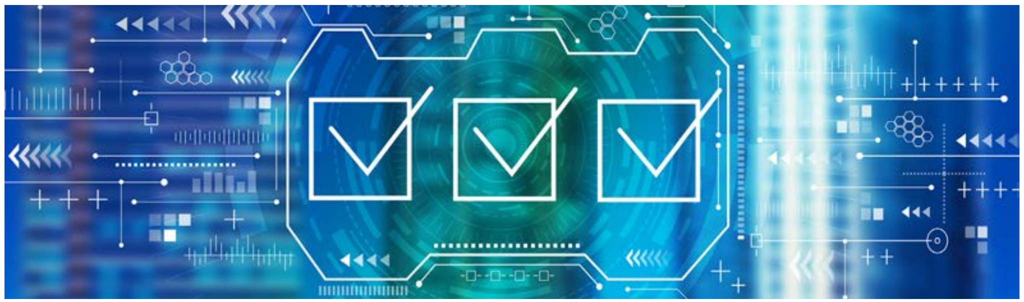
Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. Specific key risks are also measured individually against pre-defined risk tolerance levels. These structures include well developed and documented internal procedures, clearly defined reporting 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.

RISK MANAGEMENT GOVERNANCE & PRINCIPLES

The diversity of our business model requires us to identify, assess, measure, aggregate and manage our risks, and to allocate our capital among our businesses. Risk and capital are managed via a framework of principles, organizational structures and measurement and monitoring processes that are closely aligned with the activities for each department or function.

- We operate a Three Lines of Defense ("3LoD") risk management model. The 1st Line of Defense ("1st LoD") are all the business functions who are the "owners" of the risks. The 2nd Line of Defense ("2nd LoD") are all the independent risk and control functions. The 3rd Line of Defense ("3rd LoD") is Internal Audit, which assures the effectiveness of our controls. The 3LoD model and the underlying design principles apply to all levels of the Group. 3LoD are independent of one another and accountable for maintaining structures that ensure adherence to the design principles at all levels.
- Risk strategy is approved by the Board on an annual basis in order to align risk, capital and performance targets.
- All material risk types are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and compliance risk. Measurement approaches for quantifying risk and capital demand are implemented across material risk types as defined by the Insurance Regulatory Authority.
- Systems, processes and policies are critical components of our risk management capability.
- Recovery planning provides the escalation path for crisis management governance.



RISK CULTURE

We seek to promote a strong risk culture throughout our organization. Our aim is to help reinforce our resilience by encouraging a holistic approach to the management of risk and return throughout our organization as well as the effective management of our risk, capital and reputational profile.

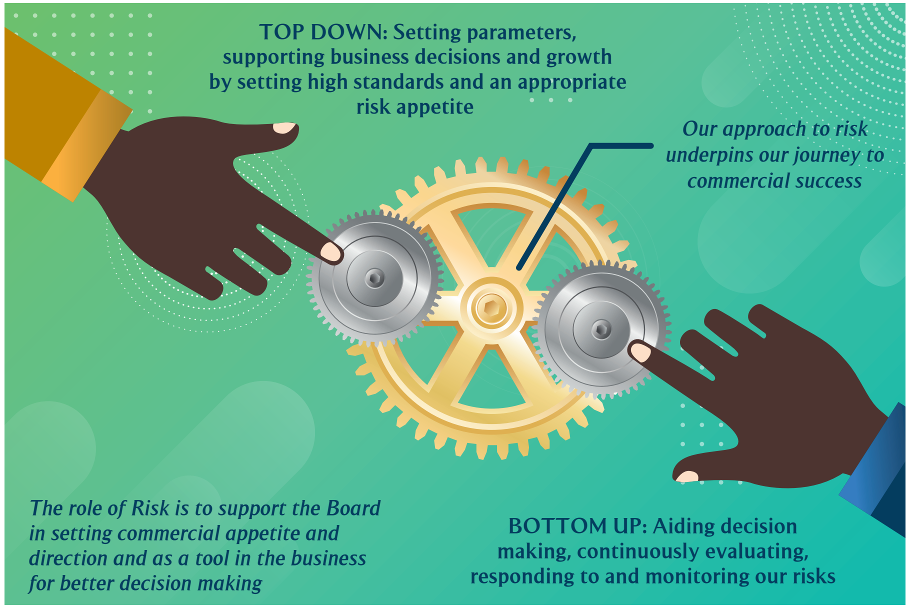
RISK MANAGEMENT FRAMEWORK

We have established and implemented a risk management framework as well as policies and procedures for managing risks within the Group. This framework is based on the ISO 31000 Enterprise Risk Management model. The risk management strategy is designed to support the achievement of the strategic objectives of the group while identifying, quantifying and managing risks. The Group takes risks that are within its allowable risk appetite and tolerance levels.

Key elements of this framework include:

- Risk Identification
- Risk Measurement
- Risk Analysis and Measurement
- Risk Reporting

OUR ROBUST APPROACH TO RISK MANAGEMENT



RISK HEAT MAP

The risk heat map highlights the overall rating of risks once the risk evaluation and analysis phase. Special attention is given to those risks categorised as “very high” or “high”.

CONSEQUENCE \ LIKELIHOOD	Rare	Unlikely	Possible	Likely	Almost Certain
Catastrophic	TOLERABLE	HIGH	VERY HIGH	VERY HIGH	VERY HIGH
Major	LOW	TOLERABLE	HIGH	VERY HIGH	VERY HIGH
Moderate	LOW	LOW	TOLERABLE	HIGH	HIGH
Minor	VERY LOW	LOW	TOLERABLE	TOLERABLE	HIGH
Insignificant	VERY LOW	VERY LOW	LOW	TOLERABLE	TOLERABLE

Risk Category	Materiality	Capital Charge Implication	Measurement & Mitigation Methodology
Insurance risk	Material	Yes	Standard Industry Formula
Credit Risk	Material	Yes	
Market Risk	Material	Yes	
Operational Risk	Material	Yes	
Liquidity Risk	Material	No	Ratio analysis; liquidity ratio, liquidity gap analysis, Asset Liability Management, reinsurance
Strategic Risk	Material	No	Corporate Scorecard, deviations, ROE. ROA deviations
Reputation Risk	Material	No	Reputation events, social media, brand survey index
Compliance Risk	Material	No	Internal and regulatory compliance levels
ICT Risk (includes cyber risks)	Material	No	Incident reporting, penetration test results, system downtime percentages
Concentration Risk	Material	Yes	Excess over risk limits, HerfindahlHirschman Index (HHI) for counter-party concentration risk under credit risk, diversification benefits
Contagion Risk	Material	No	Reputation events for related parties, corporate scorecard performance for subsidiaries
Interest rate risk	Material	Yes	Review of impact of change of interest rates, Asset Liability Management

COVID-19 & INTERCONNECTEDNESS OF RISKS

COVID-19 has indeed changed the society and how we operate. As governments worldwide adapt to this new reality, our Group, like many companies around the world, have had to change it's risk management approaches. The traditional approach to risk management gets increasingly outdated. The pandemic has blurred the boundaries of traditional risk categories, from supply-chain failures and digital disruption, to workforce challenges, cybersecurity and, of course, health. What sat as the lowest likelihood risk in a corner of our risk matrix has disrupted the globe and threatened the livelihoods of many.

With the pandemic set to dominate the world's attention in the months or years to come, succeeding in the post COVID-19 era means reassessing corporate risks.

Drawing from the World Economic Forum Davos Agenda 2021, the Group has changed its risk management positioning as follows:

- Incorporating agile risk management approaches in this volatile, uncertain, complex and ambiguous environment.
- Incorporating "horizontal scanning" for possible business threats.
- Ensuring the level of preparedness and risk planning permeates the entire Group's culture.

DYNAMIC RISK ASSESSMENT (DRA) APPROACH

We are now exploring dynamic risk management; a new methodology that incorporates future trends and their downstream consequences to organisations so as to identify their future expected pathways of contagion and expected velocity. The DRA approach enables a connected view of risks; away from the traditional, two dimensional view of risk, by mathematically and visually illustrating risk connectivity, contagion and clusters. It also enables focused risk insights through an interconnected view of risks that would enable us to better manage the threats and opportunities that we face; enabling more efficient and targeted allocation of resources. It recognises the absence of certainty regarding future events, and would provide insights on business decisions, and results, by accounting for the occurrence of potential challenges such as the COVID-19 pandemic, unprecedented low interest rates, population growth, its flow-on effects on food and water supplies, the energy revolution, rising life expectancy, molecular advances in health care and so on.

This proprietary approach, owned by KPMG, was developed to deal with the limitations of traditional risk models in generating future outcomes when past data does not exist. DRA attends to the potential interaction of potential challenges, where the performance of correlation calculations is not possible due to a paucity of data. This helps to avoid the underestimation of both likelihood and severity of risks occurring together. The DRA online system provides a platform to analyse the interconnectedness, likelihood, severity and velocity of the Group's risks. These will inform the risk neuro-network to which actuarial, mathematical and other scientific analyses will be applied to develop dynamic risk findings.

Once DRA is fully implemented, the Group will have greater visibility and understanding of interconnected risks, the contagion effect of these risks as well as the ability to quantify strategic and future risks all of which will enable more accurate risk-adjusted decision making. The approach will also inform and/or challenge our assumptions on strategy, inform the strategic risk appetite and tolerance levels as well as enable adequate allocation of resources to mitigate critical risk events.

MANAGING FUTURE RISKS

Other emerging risks that we have identified and are continuously monitoring are indicated below:

Risk

CLIMATE CHANGE

With the earths average temperature having increased by about 2 degrees Fahrenheit during the 20th century, effects that scientists had predicated in the past would result from global climate change are now occurring. The intensity and probability of floods, heat waves, hurricane, among others, even within the African context continues to rise.

Tomorrow's world will need to face the consequences of future environmental change: dwindling natural resources, global warming, declining biodiversity and massive urbanization. This is a challenge that threatens the futures of generations to come. It is risk that can no longer be ignored.

Approach

During the year, the Group participated in the largest pioneer collaborative effort by insurers to pilot the use of climate change scenarios to better assess climate related physical, transition and litigation risks in the insurance business. We joined 21 other leading insurers —representing over 10% of world premium & USD 6 trillion in assets—to pilot some of the most challenging recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The report titled "Enhancing the insurance industry's assessment of climate change futures", was endorsed by UN Special Envoy on Climate Action and Finance and UK Prime Minister's Finance Adviser for UN Climate Change Conference of the Parties (COP26).

Sabin Centre for Climate Change Law at the Columbia Law School and PWC Germany were the consultants who worked with this project team with ICEA LION Group being the only African member to this pilot group. This project follows work that was previously done by the banking sector and contributes to the development of consistent and transparent analytical approaches that can be used to identify, assess and disclose climate change-related risks and opportunities in insurance underwriting portfolios in a forward-looking, scenario-based manner. The project assessed climate-related physical, transition and litigation risks in insurance underwriting portfolios, with a focus on scenario analysis.
Looking to the future, we intend to review implement UNEP FI's ESG guide in our underwriting processes as well as commit to the Principles of Responsible Investments (PRI) through our role as institutional investors.

Risk

CYBER RISKS

According to the World Economic Forum Global Risks Report, cyber-attacks continue to be perceived as of highest concern to business especially in the post-COVID environment. This has further been exacerbated by working from home arrangements which made institutions lower their cyber risk defences, not necessarily out of carelessness but largely as a result of the shift in focus and attention occasioned by the pandemic. Cyber-attacks are not only a concern for organisations, but for nations at large, changing the landscape of modern-day political machination and even warfare. Yet, with every passing year, the African cyber security landscape rapidly evolves. This region is even more vulnerable due to cyber security funding gaps as well as a lack of loss-data that would help in pricing of cyber insurance products in the market. Therefore, cyber insurance products remain pricey and out of reach for many organisations.

Approach

At Company level, we have a cyber-security management strategy approved at Board level. Key aspects of this includes enhancing the cyber security culture through regular training and work place programs among others. This is in addition to heavy investment in cyber security tools that can assist in mitigating this risk.

We have previously been involved with the Africa Cyber Immersion Centre and the Institute of Risk Management to develop and test a locally designed cyber-risk visibility, measurement and quantification tool (the CVEQ tool). This tool helps organizations determine and understand their cyber value at risk, determine optimal investment strategies, and achieve measurable outcomes within their cyber-risk management program.

Risk

SOCIAL DEMOGRAPHIC CHANGES: THE RISE OF THE PANDEMIALS

The World Economic Forum report 2021 highlights that young adults (ages 15–24) around the world are experiencing their second major global crisis within a decade: they entered youth in the throes of the financial crisis, and are now existing at the outset of a pandemic not seen in generations. This report gives this generation a new term "Pandemials". It further highlights that the pandemic will cause serious challenges to their education, economic prospects and mental health. It reports that the outlook for this generation been diminished by environmental degradation, rising inequality (of many types - gender, intergenerational, economic and ethnic), varying degrees of violence, and social disruption from the tech-enabled industrial transformation. School closures for example have aggravated youth inequalities between and within societies. There is also a growing digital divide within this demographic with 30% of them lacking technology to participate in digital and broadcast learning. This is in spite of the fact that youth unemployment had already risen globally since 2008.

The origination of the "gig economy", unpaid or low-paid internships has led to high numbers of youth in informal markets. Further, labor market distortions had already narrowed employment opportunities for young adults.

As a result, the youth are working in the sectors hardest hit by the pandemic such as the service industry or manufacturing, most of whom are on part-time or temporary jobs. 80 % of youth had their mental health deteriorate during the pandemic Kenya leads the region in youth unemployment at 17.3% compared to only 6% for neighbouring Uganda and Tanzania each.

While these risks are real, they create opportunities in terms of provision of products that cater for the " gig economy" and this generation of unskilled workers.

Approach

We continuously monitor the changes in demographics as we develop and improve on products that are more accessible and flexible to accommodate unique needs. Business models favoring this youthful population is not brick and mortar with most seeking dynamic and digital solutions that can address their specific needs. Focus has been given to this sector and products, including marketing approaches and our brand positioning is highly targeted to this demographic. Due to the growing digital divide, options that favor USSD formats as opposed to mobile apps are alternatives that the group has been able to provide to potential clients.

In light of being an ambidextrous organization, we still have conventional products distributed via conventional means for our traditional customers who, although, are reducing in number, are still loyal to the ICEA LION brand.

We are continuously reviewing our product positioning with an aim of providing solutions that will fit the needs of this generation.

Risk

ARTIFICIAL INTELLIGENCE AND BIG DATA

We recognise the profound impact disruptive technologies have had on our business in the last decade and the likelihood for more disruption in the years to come.
These include the Internet of Things (IoT), block chain, augmented reality, artificial intelligence, cloud processing, robotics and the growth of mobile technology. 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.

Approach

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 have dedicated significant attention and resources on developing our digital infrastructure through our digital transformation project.
Our approach towards innovation, technology and design thinking is compelling us to shift our mind set from "product-first" to "customer-first".

As data sources within the Company grow richer and more diverse, we are able to make decisions more accurately, more consistently and more transparently. Our data analytics strategy evaluates the unique business challenges in our organization, matching those challenges with relevant data and resources, and establishing processes that grow capabilities and institutionalize analytics to ensure key decision-makers have access to actionable results.

Risk

NATURAL RESOURCES MANAGEMENT AND ENVIRONMENTAL MANAGEMENT

We recognise that natural capital, or the global stock of resources that includes soil, groundwater and clean air, is disappearing at a faster rate than it can be replenished.

Non-compliance with set environmental standards therefore, not only threatens our ecosystems as well as the well-being of future generations, it exposes companies to business interruption and liability issues as a result of these risks.

Approach

As signatories to the UNEP Finance Initiative's Principles of Sustainable Insurance (PSI), we recognize that our management of environmental issues is important to our stakeholders and a key determinant in the long-term success of our business.

We aim to achieve far more than minimum legal requirements compliance; we will undertake an improvement programme of positive action by setting environmental objectives and targets as well as continuously monitoring and reviewing our environmental performance.

Risk

TERRORISM AND THREATS TO NATIONAL SECURITY

Although the past one year has been relatively calm in terms of the threat of terrorism, the changing nature of these attacks may pose a challenge in managing disruption and associated costs.

With the 2022 election drawing near and debate over the proposed constitutional changes gathering momentum, the country has seen a surge in incidents of political incitement. This, coupled with the country's history of political motivated violence every five-year election cycle poses some level of risk to the stability of the country.

Approach

There is a special taskforce made of senior executives that provide oversight to security and terror related risks. This taskforce sits every quarter with meetings coordinated by a Security Risk Consultant.
The Group has a Security Risk Management Strategy that takes into account relevant security management and operating procedures which have been adopted across the group.

ICEA LION
GENERAL INSURANCE

OUR VALUE CREATION

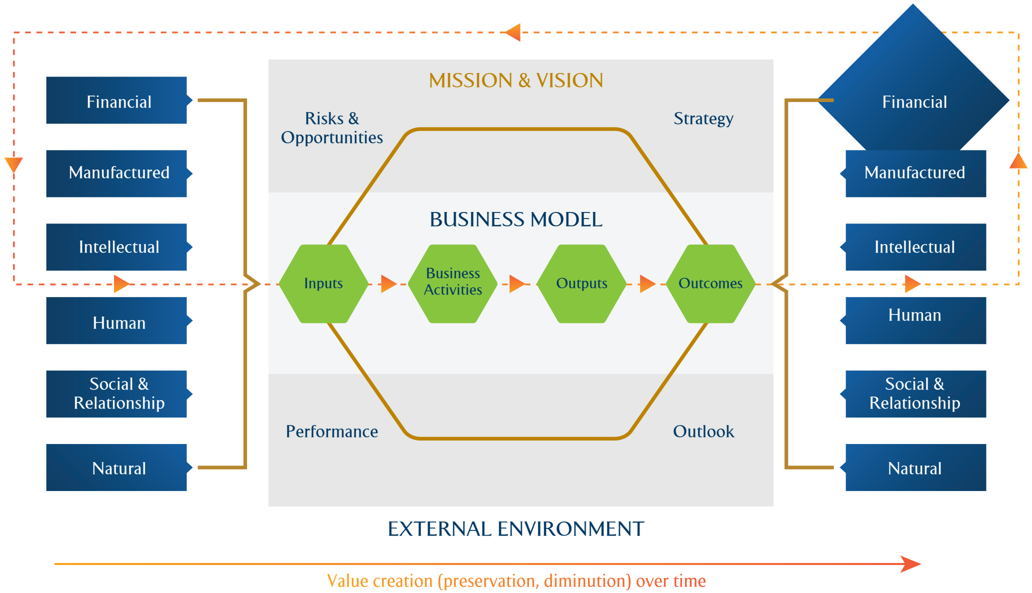
05

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 Group's long-term viability. The following capitals are inputs to our business model.



EMBRACING THE SIX CAPITALS MODEL & THE TRIPLE BOTTOM LINE

The Triple Bottom Line has been particularly influential in corporate reporting practices. For a long time, Triple Bottom Line and sustainability have been the preferred terms to refer to the non-financial reporting practices of large organisations.

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

ENSURING OUR SUSTAINABILITY BY EMBRACING THE SHARED VALUE APPROACH

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 Group, our material issues driving our strategy and how we respond to the needs of our stakeholders.

1. Our Human Capital

Our people are important to us and therefore this is one of the greatest capitals we have. It encompasses people's competencies, capabilities and experience, and their motivations to innovate.

2. Our Natural Capital

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

3. Our Social and Relationship Capital

These include our institutions 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, 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, among others are also included here.

4. Our Intellectual Capital

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

5. 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 as well as the value we create in the economies in which we operate.

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 in infrastructure over the past few years, an essential component in building efficacy and efficiencies within our business model.

MATERIALITY ASSESSMENT

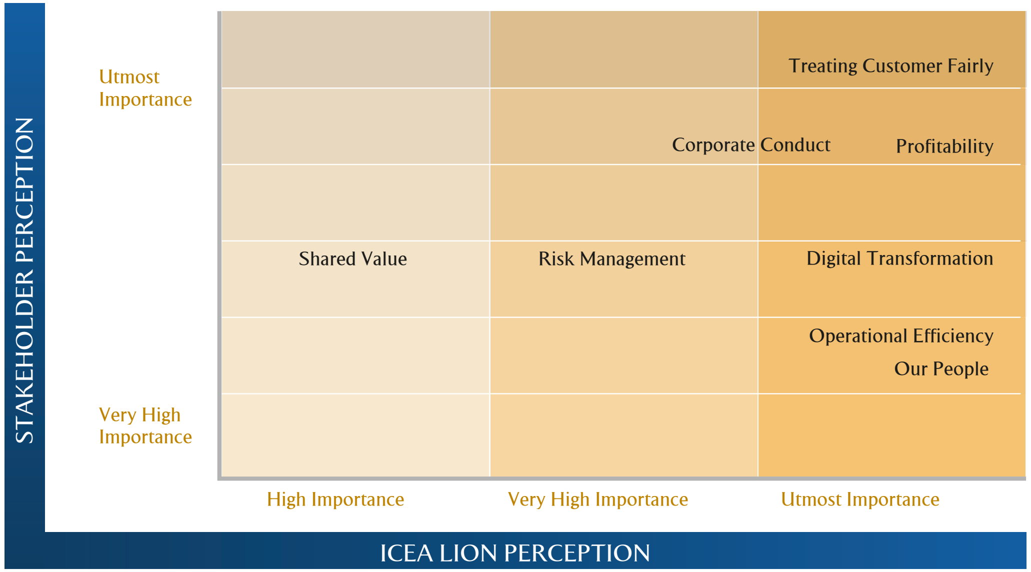
OUR MATERIAL ISSUES

Material issues have been identified which could impact positively or negatively on our Group›s ability to create and sustain value. These matters impact our ability to achieve our strategy, remain commercially viable as well as environmentally and socially relevant. They may also substantively influence the assessment and decisions of our stakeholders. The needs, expectations and concerns of our stakeholder groups that are most likely to influence our ability to create sustainable value. Notably, shareholders, customers, suppliers and our very own team members are central to determining the material issues.

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

A scale has been used to rate the importance of the material issues in an axis that illustrates the degree of stakeholder perception as well as perception of our own Group.

In specifying the material issues, we have tested them against the Global Reporting Initiative (GRI) standard.



Corporate Conduct	Shared Value	Treating Customers Fairly	Profitability	Digital Transformation	Our People	Operational Efficiency	Risk Management	Health & Safety
• Integrity • Ethics • Core Values • Governance • Consistency • Trust • Compliance • Stakeholder engagement • Transparency • Confidentiality Professionalism • Brand	• Inclusivity • Diversity • Sustainable Practices • Local Procurement • Gender parity • Remuneration • Financial inclusion • Non-discrimination	• Culture • Trust • Innovation • Agility • Flexibility • One stop Financial Services Shop • Brand Consistency • Data protection	• Shareholder Value • Sustainable Growth	• Ease of transacting • Engagement & Communication • One stop financial services shop	• Retention • Skills-matching • Culture • Succession • Training • Placement– Matching • Remuneration • Promotion • Disability Consideration • Employee Engagement • Competence Rewards	• Continuity & Availabilty of Services • Accuracy of transactions • Turn-around time • Reliability • Convenience • Automation	• Resilience • Succession Strategy, • Proactive Anticipation • Prudence • Compliance • Diversification • Audit results • Credit Rating results • Standard Operating Procedures\Policies Monitoring • Due diligence	• COVID 19 protection • Mental health • Fitness& Wellbeing • Occupational Health &Safety Compliance

1 HUMAN CAPITAL

OUR PEOPLE ARE IMPORTANT TO US

Our Group continues to attract, develop and retain highly talented employees for whom we create and maintain a competitive environment that provides the best employee experience necessary to generate stakeholder value.

In 2020, the major focus areas were; addressing the COVID-19 pandemic challenges, learning and development initiatives and automation of the performance management system.

ADDRESSING COVID-19 PANDEMIC CHALLENGES

2020 was the most unique and unexpected year in the history of work as a result of the COVID-19 pandemic which seriously threatened business survival in all world economies.

To mitigate the challenges of the pandemic at the Group level, our Crisis Management Team (CMT) reviewed the Business Continuity Plans to incorporate the Ministry of Health (MOH) guidelines and protocols for dealing with COVID-19. Our CMT came up with a business continuity strategy that ensured the health and safety of our team members and stakeholders and that all our business operations were not affected by the pandemic. The strategy included the use of digital platforms to serve our customers' needs in light of limited direct contact.

An extensive scenario analysis and stress testing exercise was conducted for all Companies in our Group. This exercise informed critical decisions for business continuity and productivity during the pandemic period.

In line with the MOH protocols, our employees' safety, hygiene and wellbeing was ensured through provision of face masks, sanitizers, temperature checks, installation of shields and barriers at various points and emphasis on social distancing.

Work safety and travel advisory guidelines were developed and communicated to all staff. Home-based care guidelines were also developed to support team members on self-quarantine/isolation at home after it became clear that hospitals lacked capacity.

Mental and emotional health talks were conducted to empower our people and their families to navigate and respond to the pandemic. Managers were encouraged to closely monitor the wellbeing of their team members and support those with stress symptoms to cope with psychosocial issues.

A doctor was identified to take care of employees who were on self-quarantine or on self-isolation at home and in other facilities. Facilities were identified to support those employees who could not self-quarantine at home as per Ministry of Health protocols.

Following the implementation of the 6pm to 6am curfew by the Government of Kenya, working hours were adjusted to enable employees working from the office to observe the curfew timeliness.

Private transport was hired for team members working from the office to minimize exposure to the virus. The private transport vehicles were sanitized and the MOH protocols on COVID-19 emphasized.

In anticipation of a full lockdown in Kenya, a simulation was conducted where most team members worked from their homes. The simulation indicated that our Group was prepared for a total lock-down.

Our Group seamlessly implemented offsite work arrangements without compromising productivity levels across most functions. As a result, 60% of our team members consistently work from home at any given time. This has provided flexibility and reduction on time spent in traffic translating to more productive time. Guidelines on safety and security of company assets, information and data was provided to all teams. Those working from home were facilitated with necessary connectivity to required systems, laptops and other relevant tools.

As at end of 2020, ten of our team had tested positive for the virus. They were facilitated with testing and medical support and all the cases fully recovered. Return to work guidelines were developed to assist them settle back and reconnect in a safe work environment.

OCCUPATIONAL SAFETY & HEALTH

A Comprehensive audit and risk assessment on Safety and Health Systems were conducted at ICEA LION Centre pursuant to Section 11 of the Occupational Safety and Health Act, 2007. The Centre was found fully compliant with health and safety regulations and the annual report filed with the Regulator.

LEARNING & DEVELOPMENT INITIATIVES

COACHING FOR ENGAGEMENT AND PRODUCTIVITY

We launched our coaching program in September 2020 following the certification of twenty (20) managers in the Global Diploma in Engagement and Productivity Coaching by CDI Africa Coaching Group. A total of 54 team members and 21 Life Financial Advisors have benefited from the formal coaching program with many others having been coached informally in the organization. With this progress, ICEA LION is entrenching a coaching culture in the organization for maximum team engagement and productivity using the certified coaches overleaf.

OUR CERTIFIED ICEA LION GROUP COACHES


GEORGE NYAKUNDI


PETER WACHIRA


NKATHA GITONGA


ANDREW MUTURI


EVELYNE MUSUNZAR


RADCLIFFE NYAMAI


ELIZABETH IRUNGU


KEVIN NYAKERI


ZIPPORAH CHEGE


CAROL MAINA


MARYLEEN THOME


DAVID TOO


KAREN OLEGE


DOROTHY MASEKE


ENID OTIENO


LYDIA MWIRIGI


ANNE NJUGI (UGANDA)


PATIENCE ARINAITWE (UGANDA)


PATRICIA KIHARA


BARACK OBATSA

ICEA LION ACADEMY

The Academy was launched on 4th June 2020. Its objective is to deliver transformational and experiential learning that will enhance a culture of self-advancement, individual and organizational agility, collaborative co-creation and high performance. So far, the academy has successfully launched the millennials engage program which targets the young professionals in the company to equip them with leadership and decision-making skills; as well as foster personal and career development.

CAPACITY BUILDING FOR AGILE WORKING METHODOLOGY

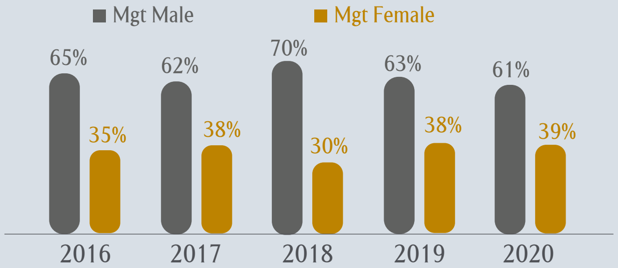
Business agility enables an organization to sense changes internally or externally and respond timeously in order to deliver value to customers. Agility is one of our key cultural aspirations and we recognize that the real change will take place when we develop an agile culture at individual, team and organizational level. Towards this, we initiated a process to capacitate our people on the Agile Methodology and so far, we have trained 100 employees on agile methodology.

An agile culture baseline survey was done to measure the maturity level of the Group to implement agile methodology. The baseline survey report gave very significant insights that would guide the Group in the implementation, measuring and monitoring of our culture change journey towards achieving the desired transformational level.

AUTOMATION OF PERFORMANCE MANAGEMENT PROCESSES

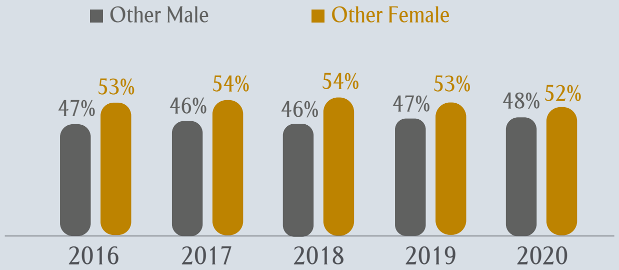
The Group has transitioned from manual to automated performance management system that has simplified and created more efficient processes. Going forward we expect better interaction with the system that will allow managers to set goals, monitor and communicate employees progress more efficiently.

Management Staff Gender Balance (%)



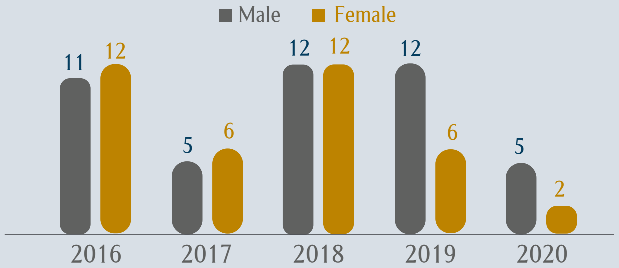
Over the last three years we have been constantly improving on the diversity of the management team with the number of females in management steadily increasing.

Other Staff Gender Balance (%)



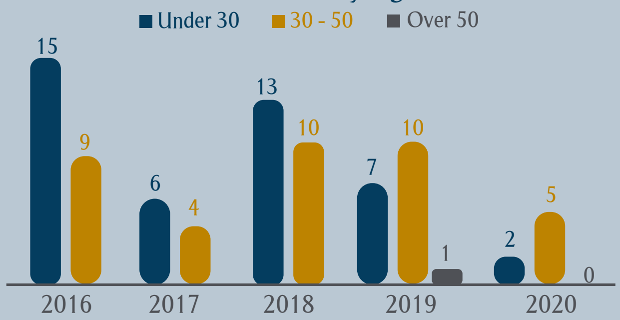
Over the last three years there has been a steady increase in the number of female employees as the Group strives to empower the female gender at the same time not overlooking the male gender.

New Hires



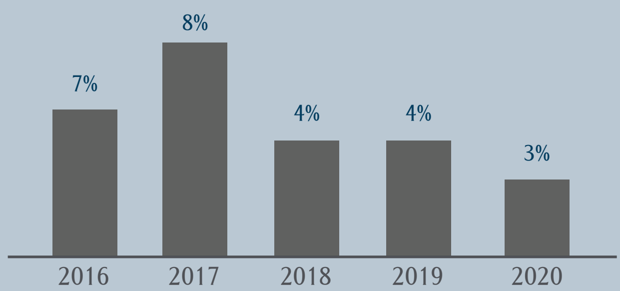
The Group has been striving to accord equal employment opportunities over the years to both males and females.

New Hires by Age



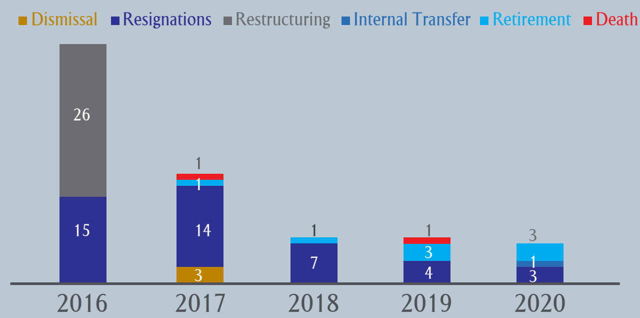
Over the years, the Group has strived to maintain a fair mix of employees demographically.

Staff Attrition Rate



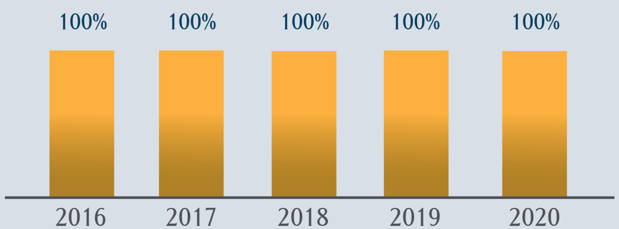
Over the years, the Group has managed to retain its employees with average attrition rate over the last three years being approximately 5% which is within the risk appetite of the Group.

Staff Separation



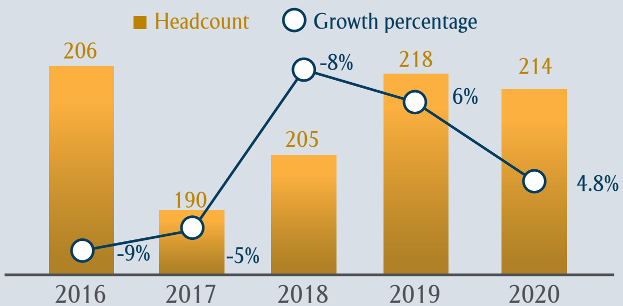
In the last three years there has been a decline number of instance where the Group has had to separate with an employee on various grounds with an average of 10 employees per year which is within the Group's risk appetite.

Retention Rate for Best Performing Staff



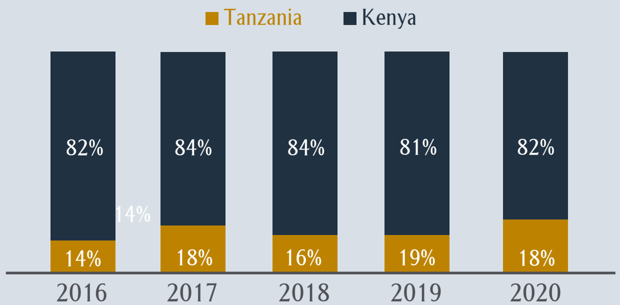
Over the years the Group has been able to fully retain all of its best performing staff.

Total Headcount



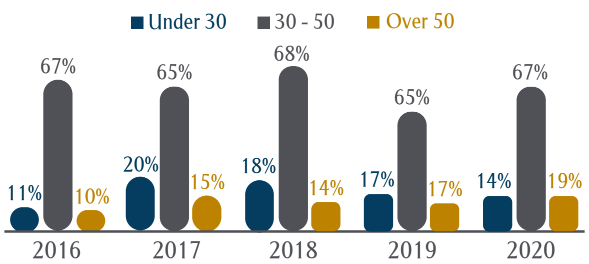
The Group has been striving to maintain a healthy population over the years while making sure that the needs of all stakeholders have been met.

Regional Split of Headcount (%)



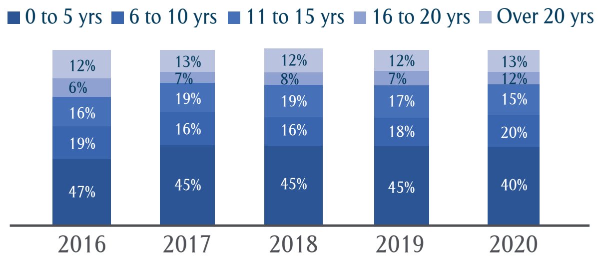
The Group has maintained a steady count of employees across the region over the years with Kenya having the most number since this where the Head Office is domiciled.

Headcount by Age Group (%)



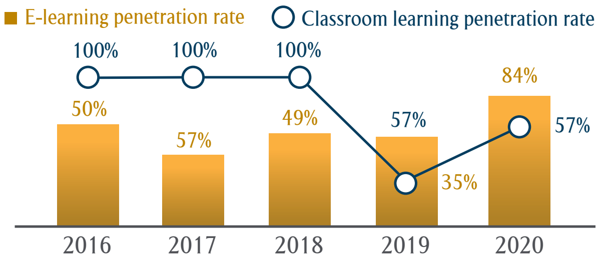
The employee mix over the years has remained steady and fair with majority of employees being between 30 - 50 years old depicting a fairly balanced demography.

Employee Years of Service (count)



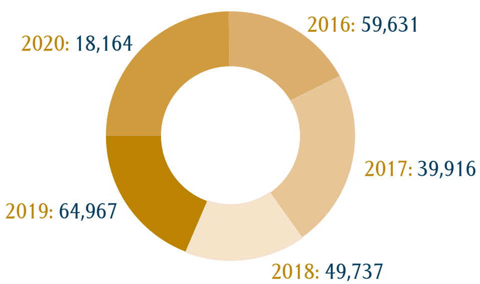
In the last three years, the average years of service for employees has been steadily increasing. Those with 5 years of service and below still remain the majority.

Employee Learning & Development



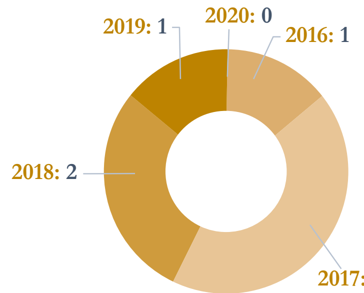
There has been a steady increase in percentage of e-learning peneration with the steep increase coming in 2020 which was largely attributed to the pandemic hence virtual learning became the most preferred mode of learning.

Learning Costs per Employee (KShs)



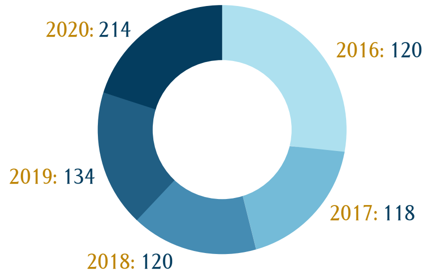
The learning cost per employee over the last three years has increased with the exception of 2020 where there was significant decline in the cost as a result of the global pademic. Nonetheless, the Group remains commited to ensuring its employees are equiped with the necessary skills required to perform their daily duties.

Exchange Programs



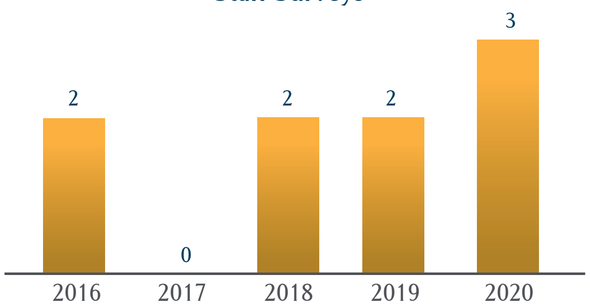
Over the years, the number of employees who have had the opportunity to have working experience out of their assigned jurisdiction has remained low. Due to the travel restritions as a result of the global pandemic, there were no exchange programs in 2020.

Wellness Program



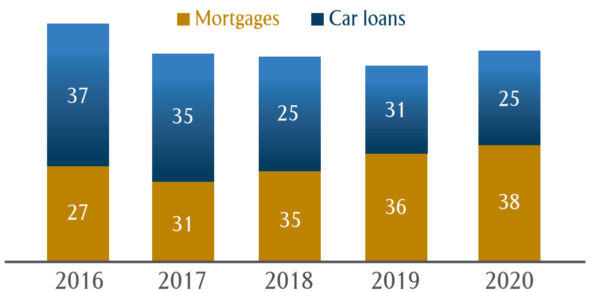
Over the last three years the number of employee involvement in the well program has been gradually increasing as the Group continues to create awareness on the importance of healthy living. During the year 2020, all staff were involved in wellness program to equip them to better manage with COVID-19.

Staff Surveys



The level of employee engagement through staff surveys has generally remained low over the last three years. In 2020 number went up with surveys seeking feedback from staff on Bureaucracy, Agility and Townhall meetings being conducted

Staff Benefits



Over the last three years, the number of employees who have benefited for the mortgage and car loans benefit has been steady with minimal downward and upward shifts.Despite the global pandemic, the Group still ensured that these facilities were available to staff.

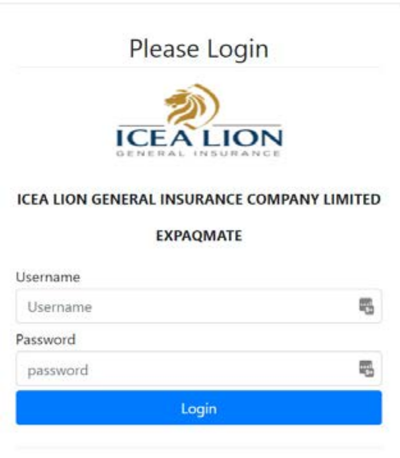
2 INTELLECTUAL CAPITAL

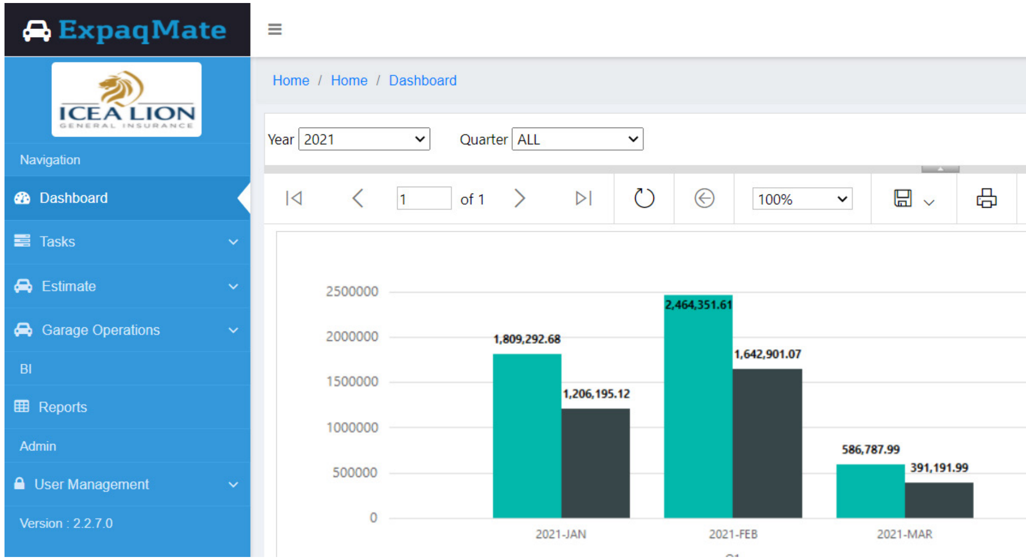
We continue to create value through various initiatives that enhance the collective institutional knowledge and intellectual wealth at ICEA LION.

MOTOR GARAGE & ASSESSMENT MANAGEMENT SYSTEM

Our 2018-2022 Strategic Plan's "Winning with the Partners and Channel Ecosystem" Pillar, created focuses on revamping how we effectively connect and collaborate with our various business partners across our value chain. Win-Win-Win situations for our clients, our business partners and ourselves in our insurance and financial services heavily rely on relationship management anchored on trust. Transparency is a critical component to develop this. In 2020, we focused on connectivity with our Garages & Assessors.

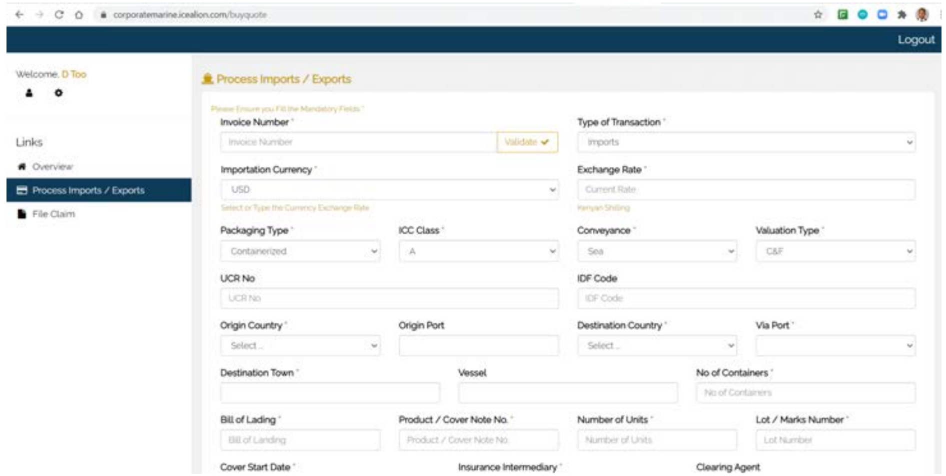
The development and roll out of our ICEA LION Motor Garage and Assessment Management system in 2020 was timely, coming just as the COVID-19 pandemic hampered face-to-face interactions. Our portal enables both our clients and us to monitor the progress of vehicles in the garage.





We developed and launched the retail section of the Marine Insurance in 2017. This was following the Government's directive to enforce Cap 487 of the Insurance Act, that required all imports to be insured locally. The 2020 improvements now accommodate our corporate marine clients. The portal allows them to quote, pay and generate marine certificates. Visit corporatemarine.icealion.com to access the portal.

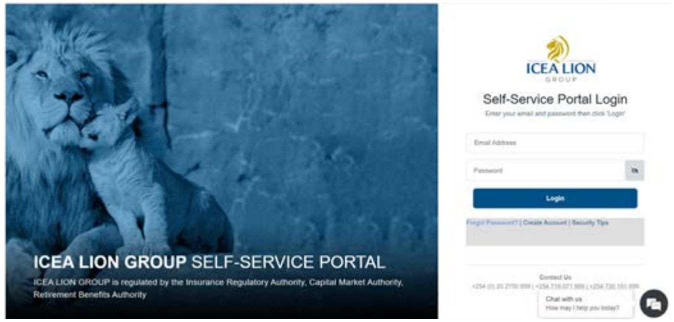
https://corporatemarine.icealion.com/



IMPROVEMENT OF OUR SELF-SERVICE PORTAL

Our Self-Service Portal was improved in 2020 to incorporate e-commerce capabilities. Now customers across the group can transact end-to-end without leaving the portal. Our Self-Service portal gives our Clients a single view of all their ICEA LION insurance or investment products entrusted to us as their financial partner.

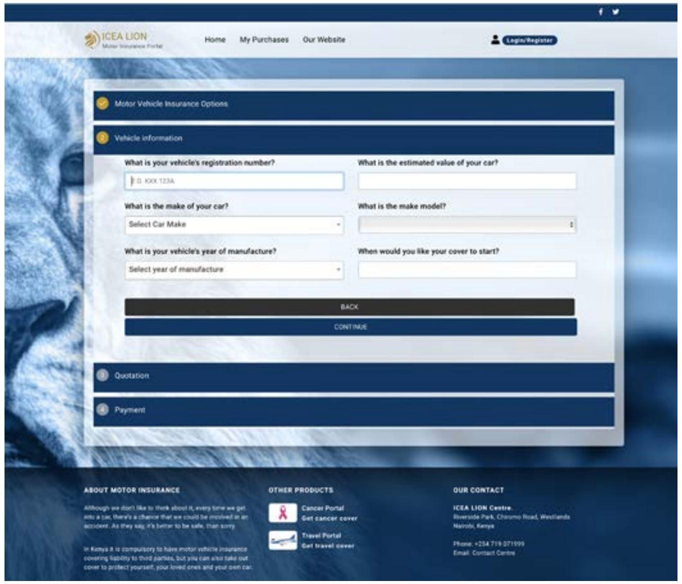
Visit self-service@ICEALION.com to access the portal.

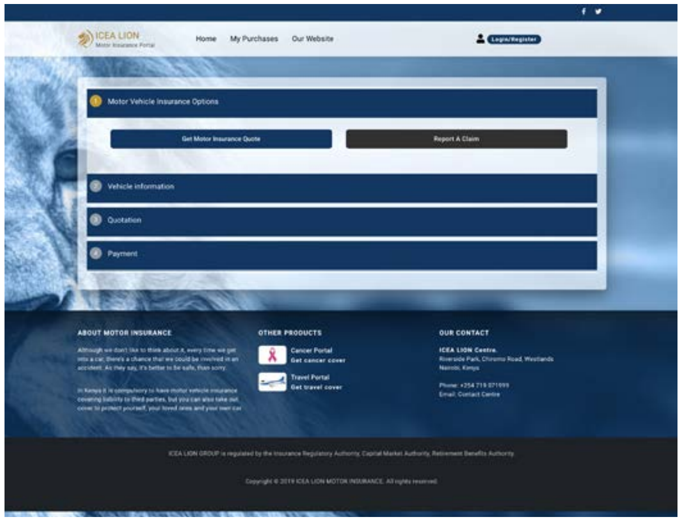


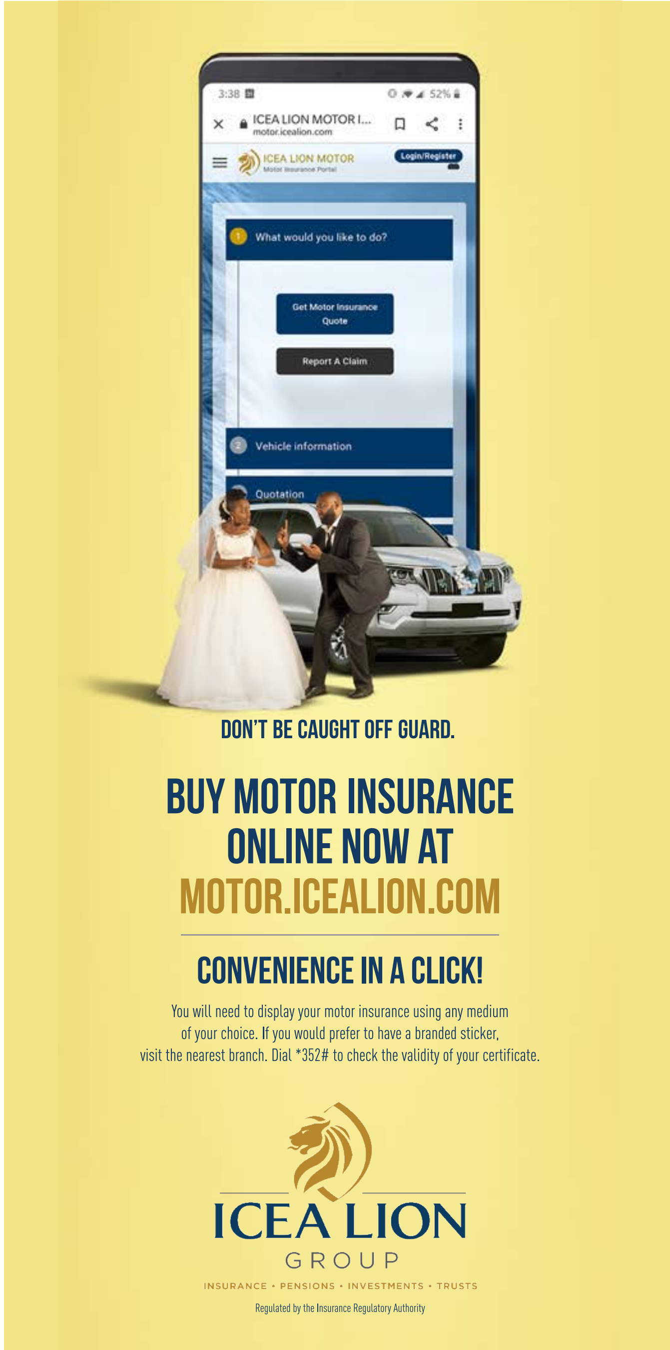
ONLINE MOTOR PORTAL

In our 2019 report we outlined our first-in-class motor online portal that allows new and existing clients to buy their motor insurance online. In 2020, our team expanded the portal to include renewals for existing customers, lodging a claim as well as booking a motor assessor to value a customer's vehicle at their time and place of choosing. The campaign was launched to mass audiences in early 2020.

Visit motor.ICEALION.com to access the portal.







3 SOCIAL & RELATIONSHIP

CORPORATE GOVERNANCE

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

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

ANTI-BRIBERY AND CORRUPTION

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

SUPPLIERS

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

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

GOVERNMENT AND REGULATORS

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

DATA PROTECTION

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

OUR CORPORATE CITIZENRY

Our Passion To Safeguard The Future Of Lions In Kenya

The population of lions in the wild has been noted to have decreased significantly throughout Africa and is currently at approximately 20,000 with an estimated 2,000 being from Kenya. The lions' official conservation status is 'threatened and vulnerable'. Africa is synonymous with lions and people all over the world travel to Kenya to witness and experience our spectacular natural and wildlife wealth.

Protecting lions in the wild is an important part of securing our economic future as a nation. As an organisation we strongly believe that our partnering with Kenya Wildlife Service and other world renown local conservationists like Lewa Conservancy ensures the future of our economy. Our I SEE A LION Corporate Social Investment Campaign is aptly named, and has a strong connection with our company name ICEA LION. It is aimed at ensuring that future generations get to SEE lions roam freely in the wild and future.

We identified two key initiatives in this regard:

- **The Nationwide Lion Census:** In collaboration with Kenya Wildlife Service, we have contributed Kshs. 1.28 Million towards the Conservation Partners Methodologies & Standardization Workshop as well as the pilot census undertaken at Lake Nakuru National Park. In 2019, ICEA LION invested Kshs.1.7 Million towards purchase of census equipment to complete the exercise across the country.
- **The Human-Wildlife Conflict Interventions:** We have invested over Kshs. 12.5 Million with conservation partners Ewaso Lions and Lewa Wildlife Conservancy to support community conservation programmes. Indeed, in 2018 and 2019, we took our ICEA LION Teams to Lewa Conservancy to engage with the locals as well as students to learn about Lion Conservation Education and the Lion Predator Programme.

We had plans to support this cause further in 2020, but owing to the impact of COVID-19, we donated Ksh 5 million to the National Emergency Response Fund.

THE VIRTUAL LEWA MARATHON

Due to the COVID-19 pandemic, marathon enthusiasts could not run the famous and familiar Lewa Safari Marathon routes, share the course with wildlife nor enjoy the beautiful views at Lewa. However, thousands of conservation lovers across the world, stayed energized.

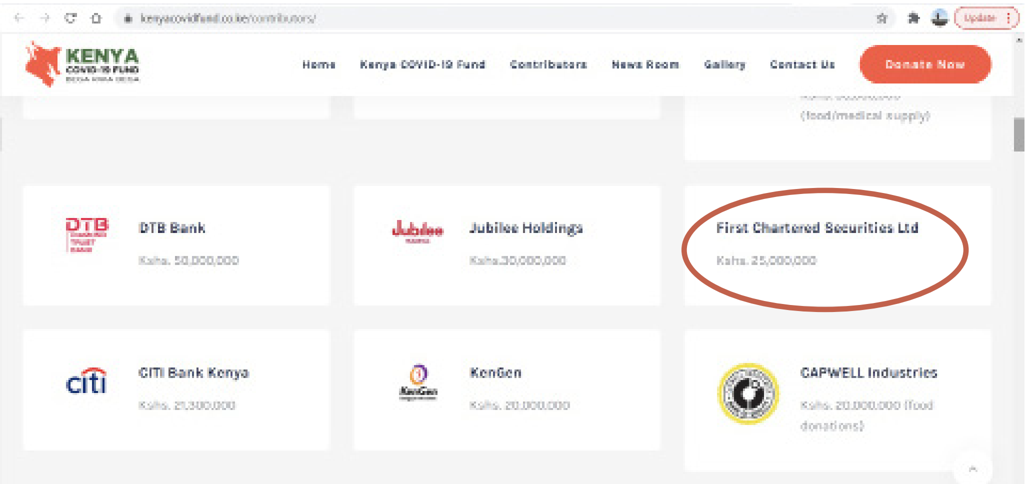
In solidarity with our conservation partners at Lewa Conservancy, we showed support for the rangers and communities we run for yearly by sponsoring 10 of our staff to take part in the first ever Virtual LEWA Marathon dubbed #TuskLewaSafariChallenge on Saturday 27 June 2020 and raised Kes 100,000 by running/ walking/ cycling on the day.

Please visit Lewaconservancy.com and learn about their noble efforts.

We also sent out messages on our social media platforms to rally our fans to be part of this initiative and generated a lot of activity and participation.

DONATION OF KES 25 MILLION TOWARDS THE NATIONAL COVID-19 EMERGENCY FUND

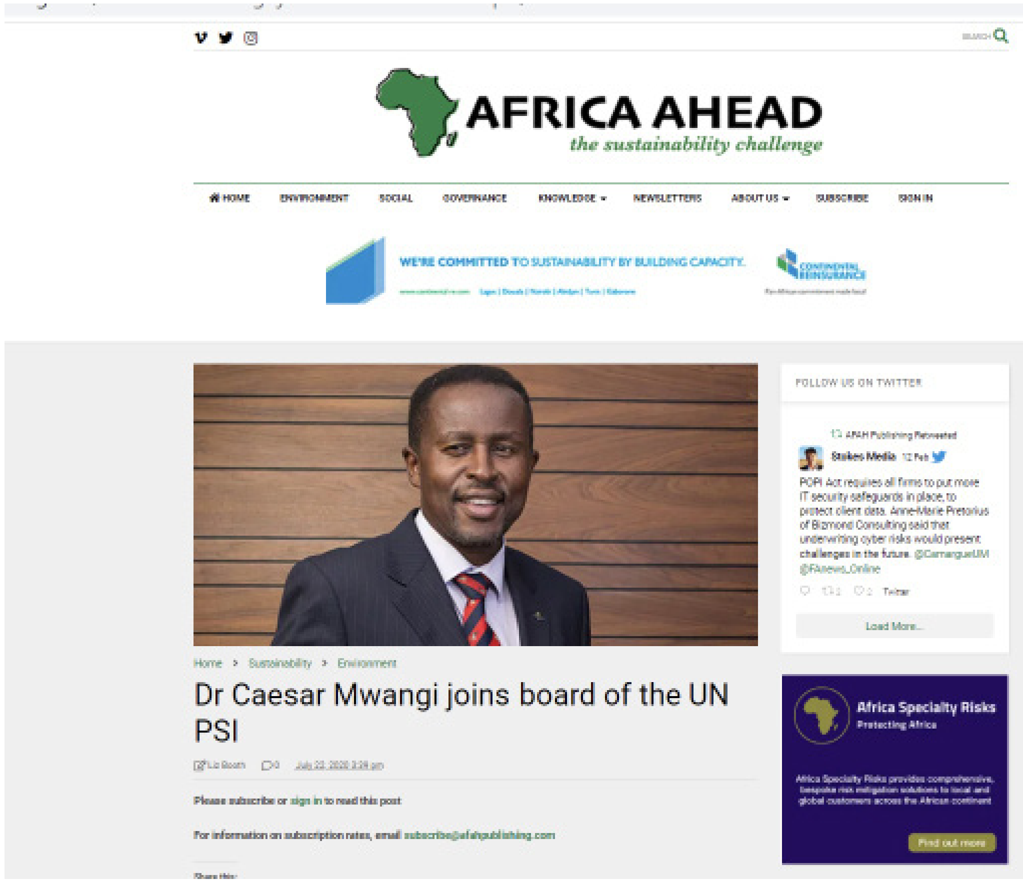
ICEA LION General Insurance and ICEA LION Life Assurance Companies donated Kshs 5 Million each to add to make the overall First Chartered Securities donation of Kshs 25 Million towards humanitarian and food relief efforts during the pandemic.



https://www.the-star.co.ke/news/2020-04-16-COVID-19-emergency-fund-receives-sh25m-boost/

COMMITMENT TO SUSTAINABILITY RECOGNISED WITH APPOINTMENT OF DR. CAESAR MWANGI AS BOARD MEMBER UNEP FI - PSI

We are privileged to have Dr. Caesar Mwangi appointed to the Board of the Principles for Sustainable Insurance Global Board, an opportunity that further confirms our Group as a global thought leader as we lend an African voice to emerging global regulation that will soon find its way in this market. Our participation in such global platforms also expands our network and collaborative engagements that help us seize business opportunities. It takes us to the forefront of creating an impact and leaving the world a better place for the sake of future generations.



4 NATURAL CAPITAL

In a sustainable economy, an existing generation recognises that its choices may affect the ability of future generations to meet their own needs. This means that it considers how the environment can be protected to avoid climate change, soil degradation, water scarcity and polluted air, and how communities can be stable and resilient.

As a Group, we recognise that we have a significant responsibility towards environmental sustainability as a means of protecting natural capital. We are committed to minimize our impact on the environment through deliberate management of environmental risks and prevention of pollution.

As signatories to the UNEP Finance Initiative's Principles of Sustainable Insurance (PSI), management of environmental issues is important to our stakeholders and a key determinant in the long-term success of our business.

OUR PARTICIPATION IN THE CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD) INSURER PILOT GROUP

During the year, the Group participated in the largest pioneer collaborative effort by insurers to pilot the use of climate change scenarios to better assess climate related physical, transition and litigation risks in the insurance business. We joined 21 other leading insurers —representing over 10% of world premium & USD 6 trillion in assets—to pilot some of the most challenging recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The report titled "Enhancing the insurance industry's assessment of climate change futures", was endorsed by UN Special Envoy on Climate Action and Finance and UK Prime Minister's Finance Adviser for UN Climate Change Conference of the Parties (COP26).

Sabin Centre for Climate Change Law at the Columbia Law School and PWC Germany were the consultants who worked with this project team with ICEA LION Group being the only Africa member to this pilot group. This project follows work that was previously done by the banking sector and contributes to the development of consistent and transparent analytical approaches that can be used to identify, assess and disclose climate change-related risks and opportunities in insurance underwriting portfolios in a forward-looking, scenario-based manner. The project assessed climate-related physical, transition and litigation risks in insurance underwriting portfolios, with a focus on scenario analysis.

OUR FLOOD RISK MODELLING PROJECT


Insuring the climate transition

Acknowledgements

UN Environment Programme's Principles for Sustainable Insurance Initiative (PSI) is indebted to each of the 22 leading insurance and reinsurance companies worldwide and their respective representatives who formed part of the PSI TCFD pilot group and made this collaborative project possible. They contributed invaluable insights to this pioneering project by participating in numerous meetings, document reviews, and internal model testing.

PSI TCFD pilot group members

- **Allianz** (Germany): Thomas Liesch, James Wallace
- **Aviva** (UK): Ben Carr, Zelda Bentham, Chris Boss, Bianca Hanscombe, Finn Clawson, Adrian Whitaker, Claire Vedrenne, Masani Panigrahi
- **AXA** (France): Suzanne Scatliffe, Tom Philp, Andrew MacFarlane, Owen Dacey, Sylvain Vanston
- **Desjardins** (Canada): Jérôme Petigny, Mathieu Francoeur, Barthélémy Mahieu
- **Generali** (Italy): Alessandro Porta, Lucia Silva, Andrea Mosca, Marta Pagan
- **IAG** (Australia): Julie Batch, Ramana James, Mark Leplastrier, Brooke Pettit, Nicholas Stacher
- **ICEA LION** (Kenya): Paul Muthaura, Dorothy Maseke, Martin Kariithi, Joy Omondi
- **Intact** (Canada): Dan Fedus, Jonathan Gadoury, Laura Willett, Mandy Dennison, Mark Yorsaner, Maxime Rousseau Turenne
- **Länsförsäkringar Sak** (Sweden): Carina Bodesand, Gertrud Henriksson, Julia Bergqvist, Jens Holmberg, Filip Ahlin, Stefan Schneider, Anders Nises, Ieva Gediminaite, Henrik Melén
- **Lloyds Banking Group** (UK): Graeme Andress, Kevin Treco, Dimosthenis Tsaknias, Emily White
- **MAPFRE** (Spain): José Á. Cañizares Fernández, Miriam García Reigosa, Sara Fernández Quintano, Félix Condes Novillo, Pablo Bohdan Maksymenko
- **MS&AD** (Japan): Yasumasa Kanie, Keita Uehara
- **Munich Re** (Germany): Philipp Hasenmueller, Renate Bleich, Eberhard Faust, Stephan Laemmle, Heike Markus, Ina Ebert, Julia Schubring-Giese
- **NN** (The Netherlands): Naomi Tronco, Sebastian Rath, Rayna Boxill, Shalabh Mathur, Fleur Hudig, Nathalie van Toren
- **QBE** (Australia): Sharanjit Paddam, Serena Blanch, Sereina Pfister, Monica Dasgupta, Janette O'Neill, Joan Cleary, Eric Letourneau, Carol Zacharias
- **Sompo Japan** (Japan): Yukio Hori, Kanako Murakami, Shinya Ishikawa
- **Storebrand** (Norway): Bart Bisschops, Peter Natas, Caroline Johansen
- **Swiss Re** (Switzlerand): Lasse Wallquist, Nora Ernst, Martin Weymann, Thierry Corti
- **TD Insurance** (Canada): Huma Pabani, Moira Gill, Frank Yang, Kris Bagchi, Patricia Therrien
- **The Co-operators** (Canada): Chad Park, Wendy Perkins, Eliot Gregoire, Barbara Turley-McIntyre
- **Tokio Marine** (Japan): Masaaki Nagamura, Hiroo Shimada
- **Zurich** (Switzerland): Daniel Eherer, John Scott, Guido Felder, Rochus Troger

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Graphic Designer
Graphic Design Lead
UNEP FI

Sarah Tang & Diana Diaz
Project Assistants
Programme Assistants
UNEP PSI

OUR FOCUS ON ENVIRONMENTAL SUSTAINABILITY

The following activities indicates out commitment towards environmental sustainability:

- We have identified and comply with all environmental legislation, standards and codes of practice, which are relevant to our business.
- We continue to improve our environmental performance through effective measurement, monitoring, communication and adoption of best techniques available to our tenants, suppliers and other stakeholders.

- We influence our stakeholders to minimize, wherever possible, the use of natural resources (energy, fuel and water) and raw materials such as paper and other consumables. We have digitised many of our internal processes in a bid to reduce usage of paper as well as enhance efficiency of operations.
- We promote raw materials use minimization through the use of reduce, reuse, recycle and dispose methodology.
- We identify and manage instances of soil, ground water or surface water contamination resulting from our operations.
- We continue to improve our sanitation standards by ensuring there is adequacy, cleanliness and safety.
- We conduct energy audits and implement the recommendations given for efficient use of energy on site.

Additionally, we do not knowingly:

- Do business with companies whose activities involve industrial activity where the specified use of proceeds would significantly convert or degrade a critical habitat.
- Carry out business with companies whose activities do not adhere to local laws, regulations and standards on pollution prevention.
- Do business with companies that contravene international environmental agreements that have been enacted into the law.

ICEA LION General Insurance has contributed Kshs 9.3 Million towards Nature and Conservations efforts between 2012 and 2020.

ESG IN RISK ASSESSMENT & UNDERWRITING

In the coming year, we will further develop and deploy the Group's ESG approach as we implement Principle 1 of the PSI: "We will embed in our decision-making environmental, social and governance issues relevant to our insurance business".

Cognisant of the fact that a concerted effort is required between all industry players in order to tackle climate change issues, we will continue to raise awareness of the importance of ESG in enhancing resilience of economies. We will continue being the industry north-star in spearheading and driving the ESG agenda in this region.

RESPONSIBLE CONSUMPTION

We continuously work to reduce carbon footprint of our activities. There was a significant drop in electricity and paper costs during the year.

Cost Line (Kes "000")	2020	2019	2018	2017	2016
Electricity	4,308	4,897	5,044	6,056	4,749
Paper cost	267	1,162	1,022	833	813

Due to the COVID-19 restrictions, apart from the first two months of the year, no business travel was undertaken during the year.

5 MANUFACTURED CAPITAL

Our Group's manufactured capital represents our physical infrastructure which includes the traditional brick and mortar customer contact points, investment property, vehicles, IT equipment and furniture as well as our digital infrastructure. The efficient use of manufactured capital enables us to be flexible and responsive to customer needs, resulting in the effective delivery of products and services to customers. Our investment properties provide the long-term investment returns that would enable us keep our promises to all stakeholders.

Manufactured capital, particularly our digital infrastructure plays a vital role in reducing resource use, allowing human capital to be directed towards strategic, creative and value generating activities. Having identified the crucial role played by manufactured capital in driving customer accessibility, satisfaction and process efficiency, we place great strategic importance on optimizing and leveraging on our physical and digital infrastructure to drive stakeholder value.

Our manufactured capital includes ICEA LION's geographical footprint covering the head office, subsidiaries and branches as shown on page 11 of this report. Our branch network also acts as a distribution network reaching devolved units within the counties. For all our properties, we have employed best practice processes in terms of health, safety and environmental management.

The following is a listing of the prime properties we own:

- 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

Arboretum View

In spite of a highly volatile and uncertain environment, our properties occupancy levels were over 70%. The rental yield for commercial properties remained steady with LION Place giving a yield of 9.9 % during the year under review. This, in light of the current operating environment is satisfactory performance. The LION Place wall was affected by the ongoing Nairobi Expressway and a compensation of Kshs. 25 M is expected from the Government.

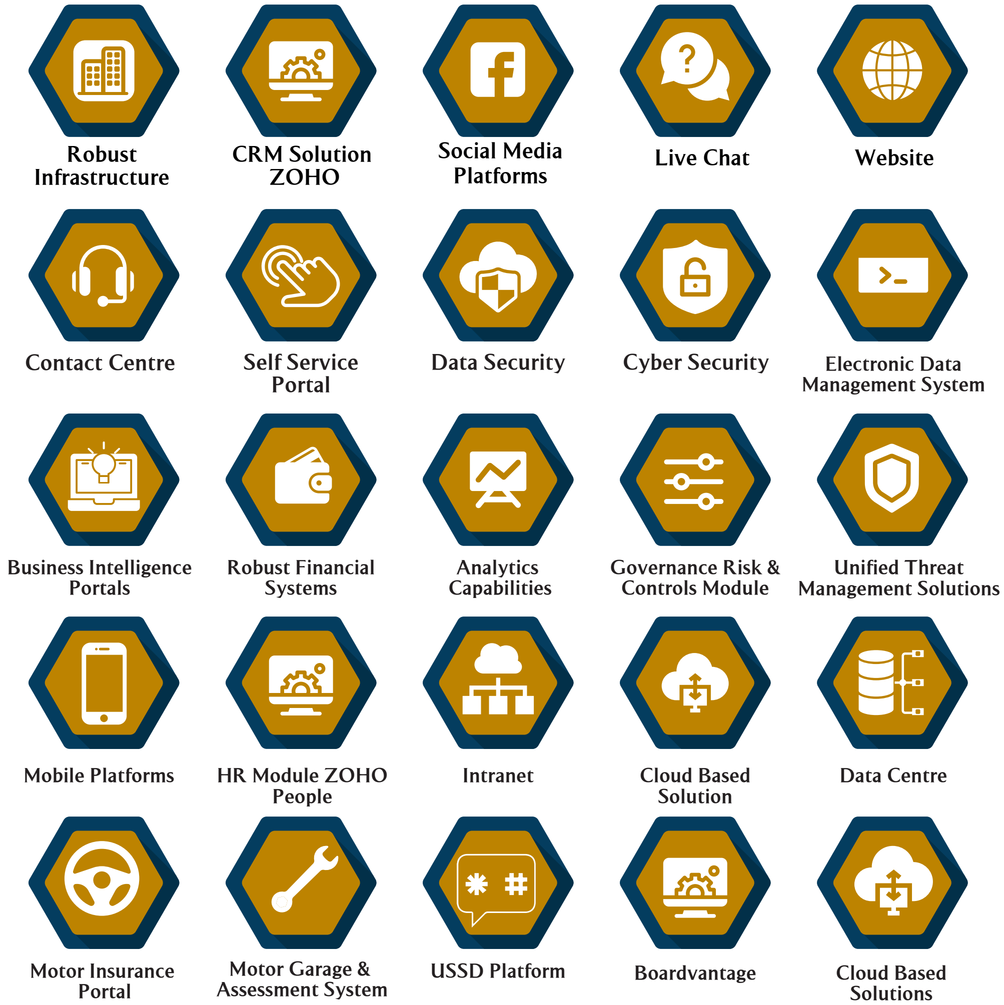
OUR ICT PLATFORMS AND INFRASTRUCTURE

A key element of our manufactured capital is the ICT system infrastructure which includes servers, core systems, utilities, IP telephony and security systems. This is governed by a well-structured ICT governance model.

We have invested heavily on infrastructure over the past few years, an essential component in building efficiencies within our business model. The operational philosophy that drives the Group's digital agenda accelerates the flow of knowledge and information within the organisation and to parties outside the organisation –external suppliers and distribution channels. Special focus has been given to our digital channels such as mobile apps and portals including the motor online portal that was launched during the year.

With the new work from home trend, we focussed greatly on building the necessary infrastructure to seamlessly support this new working arrangement. This included the purchase of additional laptops and licences. The virtual private network was also optimised to facilitate 60% to 70% of staff securely and remotely work from home during the period. We continue to build on these capabilities as we further improve our digital transformation initiatives.

The table on the right highlights some of our key ICT infrastructure.



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 is as follows:

366,200,000	2015
516,224,000	2016
344,830,000	2017
685,773,000	2018
519,153,000	2019
566,571,000	2020

VALUE CREATION

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

SUPPORTING LOCAL SUPPLIERS

The split of local and international spend is 98% and 2% for the last 3 years which shows a heavy bias towards local suppliers.

CAPACITY GIVEN TO THE MARKET

During the year the business gave a capacity to the markets in Kenya and Tanzania to continue doing business without fear of losses to the tune of Kshs 3 trillion (2019 - Ksh 3.5 Trillion). Please refer to page 126 of this integrated report for the sum insured statistics.

VALUE ADD STATEMENT

GROUP					
	2020	2019	2018	2017	2016
	Ksh Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Wealth Sources	7,960	7,517	7,201	8,327	8,598
Less; insurance ceded & costs of other services	3,919	3,607	3,455	3,510	4,234
Wealth created:	**4,061**	**3,910**	**3,745**	**4,817**	**4,364**
DISTRIBUTION:					
Policyholders	1,559	1,286	1,707	2,246	2,399
Employees - salaries, wages & other benefits	756	783	732	673	673
Benefits to sales agents	690	637	652	812	795
Taxes paid to government	290	218	178	242	100
Dividends to shareholders	200	200	200	200	200
Total Distribution	**3,495**	**3,110**	**3,469**	**4,173**	**4,167**
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation & amortization	87	102	69	47	69
Retained earnings	478	684	208	597	129
Total Retention	**565**	**786**	**277**	**644**	**198**
Total Distribution and Retention:	4,061	3,910	**3,745**	**4,817**	**4,364**

COMPANY					
	2020	2019	2018	2017	2016
	Ksh Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Wealth Sources	7,303	7,055	6,783	7,781	7,252
Less; insurance ceded & costs of other services	3,525	3,314	3,184	3,156	3,169
Wealth created:	**3,778**	**3,741**	**3,599**	**4,625**	**4,083**
DISTRIBUTION:					
Policyholders	1,480	1,255	1,642	2,201	2,311
Employees - salaries, wages & other benefits	673	710	657	588	594
Benefits to sales agents	601	564	603	749	704
Taxes paid to government	258	220	190	242	94
Dividends to shareholders	200	200	200	200	200
Total Distribution	**3,230**	**2,949**	**3,292**	**3,980**	**3,903**
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation & amortization	74	97	65	43	66
Retained earnings	473	695	242	602	113
Total Retention	**547**	**792**	**307**	**645**	**179**
Total Distribution and Retention:	3,778	3,741	**3,599**	**4,625**	**4,083**

ZIPPORAH CHEGE

CHIEF FINANCE OFFICER'S STATEMENT

> *Victory comes from finding opportunities in challenges*

PERFORMANCE

Its my delight to give an overview of the financial performance of our business for the year 2020. Our business was no exception to the impact of the COVID-19 Pandemic on the economy and this required that we quickly adopt to the changing environment to survive. The travel restrictions and lockdowns impacted our travel, hospitality and aviation products. Our aviation product sales however picked towards the end of the year and actually exceeded the production for the 2019 year of income.

The business withstood many changes during the year which included;

01 OVER 80% OF OUR TEAMS WORKING FROM HOME

02 REVIEW OF BUDGETS TO ENSURE THE SPENDING WAS ON ONLY THE MOST ESSENTIAL ITEMS

03 SUFFERED REVALUATION LOSSES ON EQUITIES AND PROPERTIES TO THE TUNE OF KSHS 149 MILLION AND KSHS 55 MILLION RESPECTIVELY AT THE GROUP LEVEL ON ACCOUNT OF THE SIGNIFICANT DROP IN PRICES AT THE NAIROBI SECURITIES EXCHANGE AS WELL AS DROP IN THE PROPERTY PRICES.

As a responsible corporate citizen, despite the impact the Pandemic had on our business, we supported the Government initiative to fight the Pandemic by donating Kshs 5 million to the COVID-19 National Emergency Response Fund.

PERFORMANCE

Our business has returned the highest underwriting result in its history of Kshs 391 million at the group level. This performance is on the back of improved performance largely on the Motor class of business. In addition, the group reported a Profit Before Tax of Kshs 972 million down from Kshs 1.1 billion during the year. The drop in profitability was because of reported revaluation losses on equities and properties as explained above. The group shareholders' funds grew from Kshs 5.1 billion to Kshs 5.6 billion during the year.

Our Tanzania subsidiary turned around to report a Profit Before Tax of Kshs 23 million during the year on the back of a 50% growth on its Gross Written Premium.

DIVIDENDS & SUSTAINING SHAREHOLDERS RETURNS

Our Company paid an interim dividend of Kshs 50 million and has proposed a final dividend of Kshs 150 million for the year ended 31 December 2020. With continued improved performance, it is planned that our business will be able to consistently pay dividends to its shareholders. The return on equity at the group level stood at 12% (2019-17%). The decline on ROE is on account of revaluation losses on equities and properties.

2021 OUTLOOK

Economic analysts expect a positive outlook in 2021 with a possible recovery of the equities market, however the economic conditions continue to toughen. Our business will continue to focus on utilizing our digital capabilities to enhance our customers delight through excellent service delivery. Our business will in addition focus on niche markets and disintermediation to foster growth and profitability.

On the next page is a summary of our five year financial statements highlights and related graphs.

Group Five Year Financial Highlights

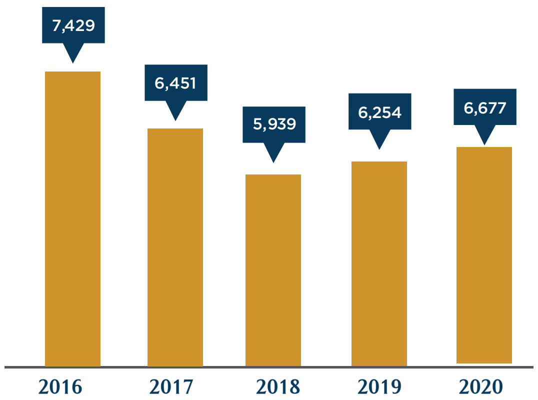
Summary Statement of Comprehensive Income	2020	2019	2018	2017	2016
Revenue	**KSH "000"**	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**
Gross Written Premiums	6,677,610	6,253,833	5,938,870	6,451,009	7,428,804
Net Earned Premiums	3,401,285	3,005,595	3,175,195	3,902,445	4,035,944
Claims Incurred	1,558,676	1,285,974	1,706,875	2,245,931	2,398,505
Operating, Finance and Impairment Expenses	1,491,346	1,548,093	1,441,213	1,317,413	1,731,491
Underwriting Profits	391,311	237,951	46,855	183,751	116,710
Investment Income	809,159	1,093,698	745,712	1,003,902	849,039
Profit Before Tax	**972,312**	**1,104,319**	**590,823**	**1,039,121**	**429,078**
Taxation	289,791	218,367	177,693	241,740	100,215
Profit After Tax	**682,521**	**885,952**	**413,130**	**797,381**	**328,863**
Other Comprehensive Income	7,745	10,903	(1,596)	186,572	(116,870)
Total Comprehensive Income	**690,266**	**896,855**	**411,534**	**983,953**	**211,993**
Summary Statement of Financial Position					
Shareholders' Funds	5,619,447	5,129,181	4,604,852	4,507,479	3,723,526
Total Assets	14,613,780	13,789,566	12,658,127	13,495,806	12,665,284
Total Liabilities	8,994,333	8,660,385	8,053,275	8,988,327	8,941,758
Investment Assets	9,848,653	9,537,019	8,878,645	9,228,163	8,503,045
Key Ratios					
Loss Ratio	46%	43%	54%	58%	59%
Expense Ratio	19%	21%	21%	18%	15%
Return on Investment	8%	11%	8%	11%	9%
Return on Equity	12%	17%	13%	23%	12%

COMPANY Five Year Financial Highlights

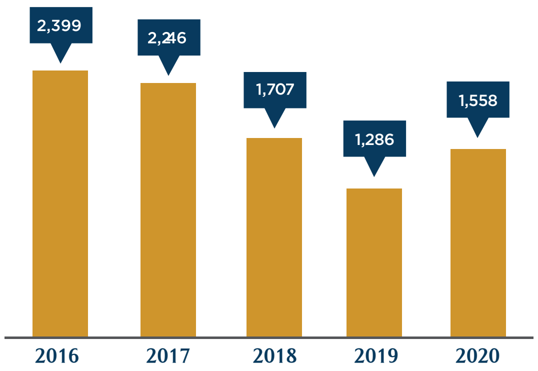
Summary Statement of Comprehensive Income	2020	2019	2018	2017	2016
Revenue	**Ksh "000**	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**
Gross Written Premiums	6,057,394	5,855,812	5,609,278	6,103,330	6,304,587
Net Earned Premiums	3,156,237	2,840,981	3,036,033	3,737,910	3,824,576
Claims Incurred	1,480,393	1,255,384	1,642,077	2,200,520	2,310,662
Operating, Finance and Impairment Expenses	1,312,865	1,385,721	1,288,232	1,144,728	1,564,670
Underwriting Profits	406,739	266,672	123,125	226,828	141,720
Investment Income	766,747	1,070,357	713,365	956,135	799,664
Profit Before Tax	**948,603**	**1,113,672**	**632,864**	**1,044,217**	**407,274**
Taxation	275,716	219,350	190,275	242,370	94,125
Profit After Tax	**672,887**	**894,322**	**442,589**	**801,847**	**313,149**
Other Comprehensive Income	(8,054)	12,148	8,806	190,901	(88,099)
Total Comprehensive Income	**664,833**	**906,470**	**451,395**	**992,748**	**225,050**
Summary Statement of Financial Position					
Shareholders' Funds	5,421,153	4,956,320	4,421,791	4,263,540	3,470,792
Total Assets	13,560,594	13,069,643	11,996,071	12,860,725	11,880,352
Total Liabilities	8,139,441	8,113,323	7,574,280	8,597,185	8,409,560
Investment Assets	9,382,645	9,152,899	8,487,870	8,817,065	8,085,690
Key Ratios					
Loss Ratio	47%	44%	54%	59%	60%
Expense Ratio	18%	20%	19%	15%	15%
Return on Investment	8%	12%	8%	11%	9%
Return on Equity	12%	18%	14%	24%	12%

Financial Highlights

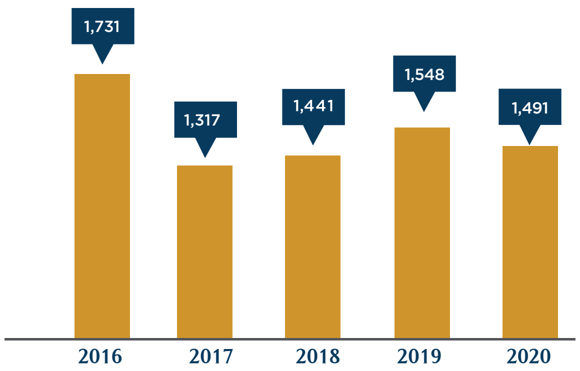
Group Gross Written Premiums



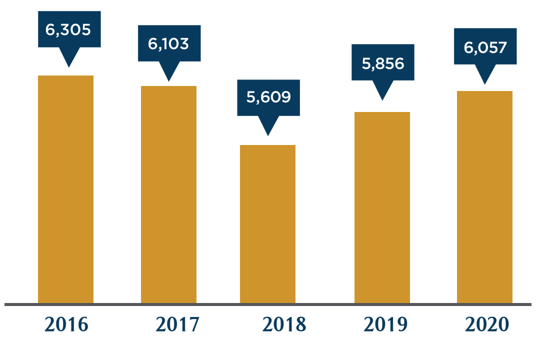
Group Claims



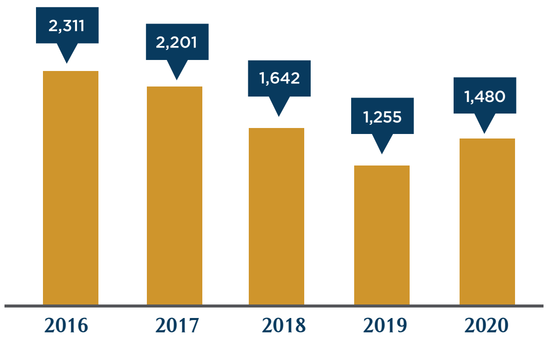
Group Operating, Finance & Impairment Expenses



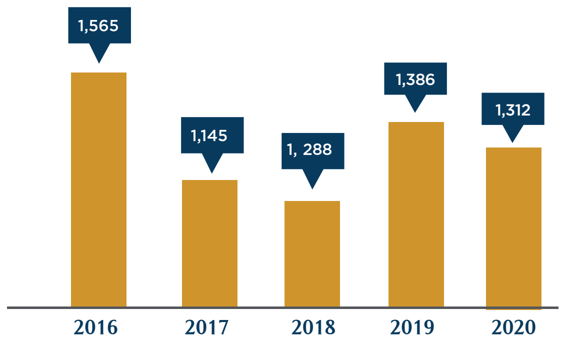
Company Gross Written Premiums



Company Claims

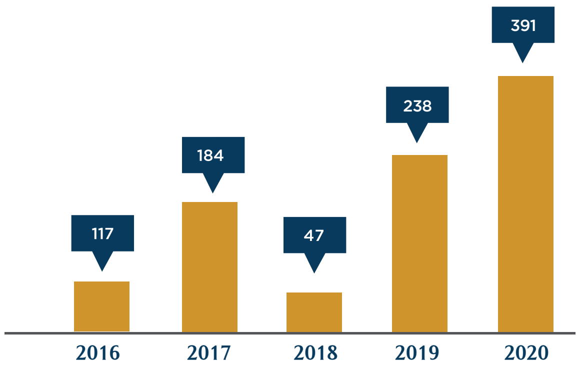


Company Operating, Finance & Impairment Expenses

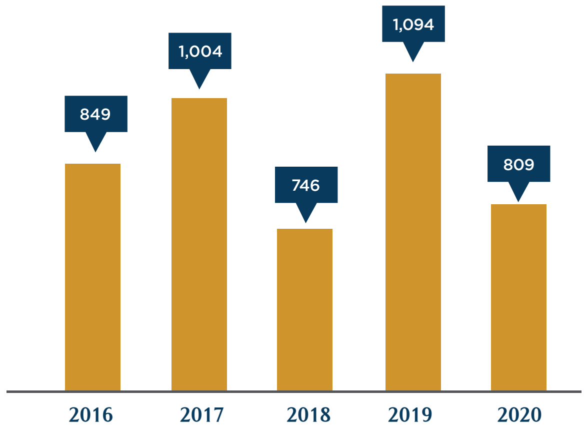


Financial Highlights (continued)

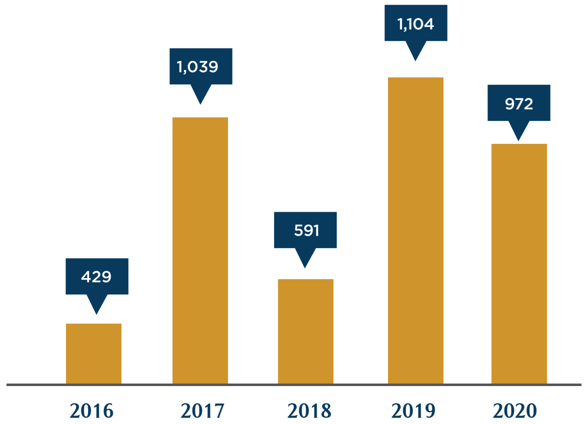
Group Underwriting Profits



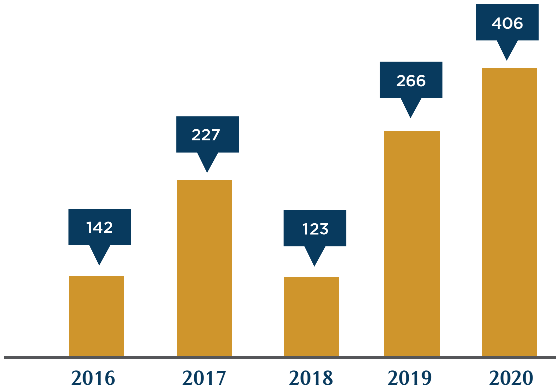
Group Investment Income



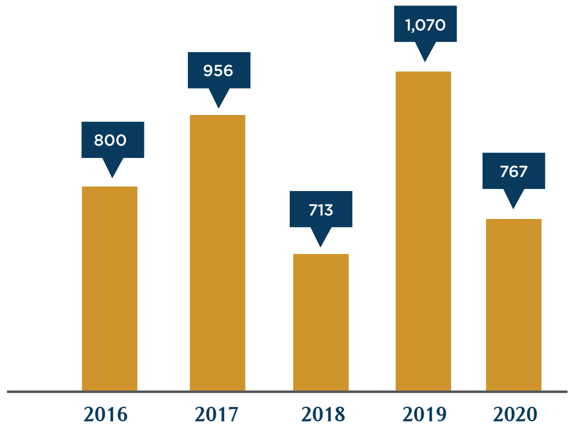
Group Before Tax



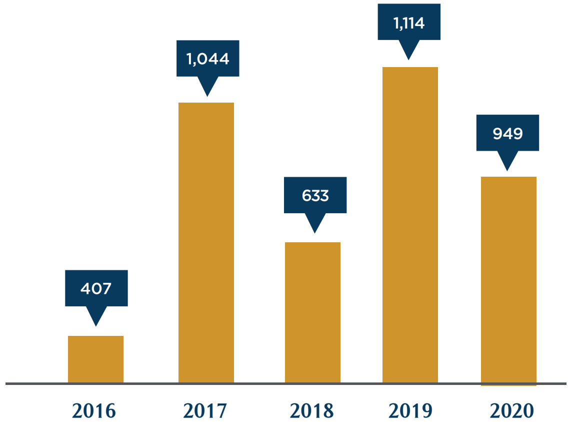
Company Underwriting Profits



Company Investment Income

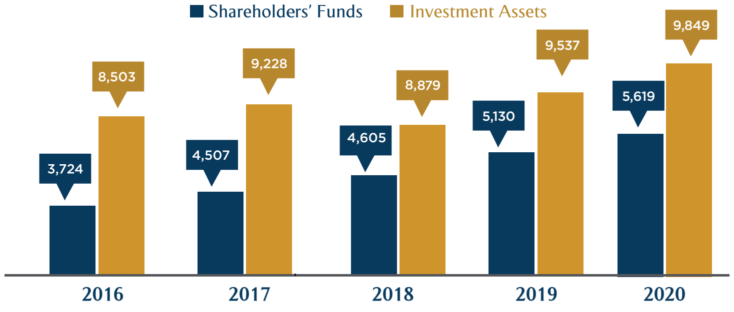


Company Before Tax

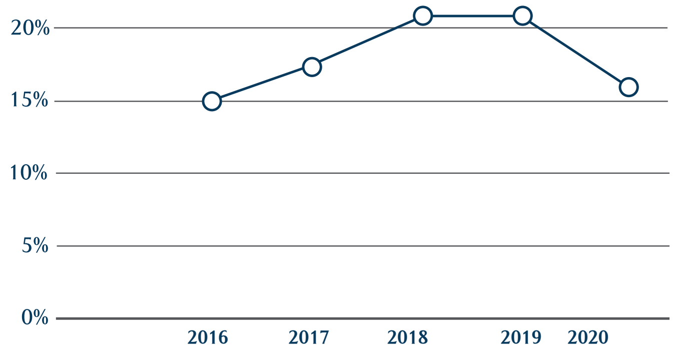


Financial Highlights (continued)

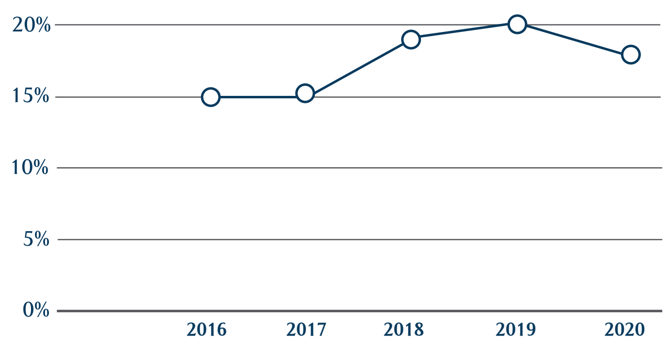
Group



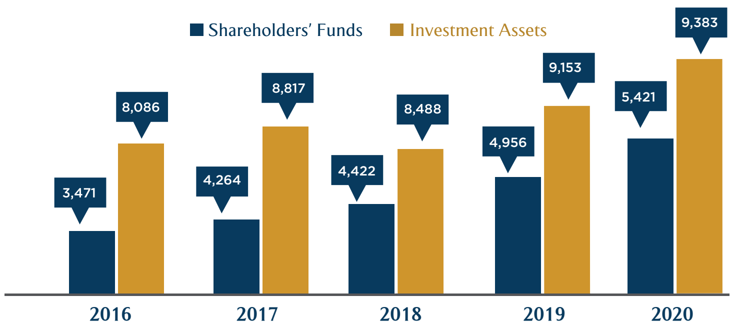
Group Expense Ratio



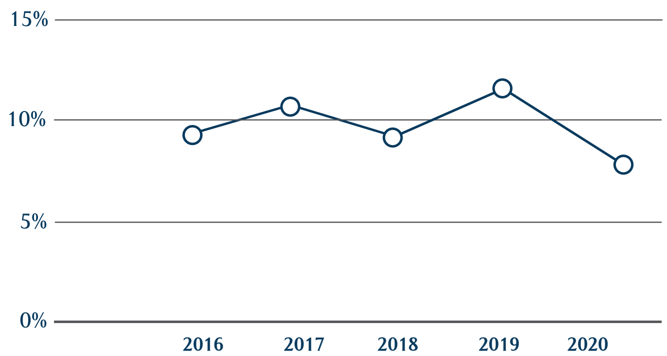
Company Expense Ratio



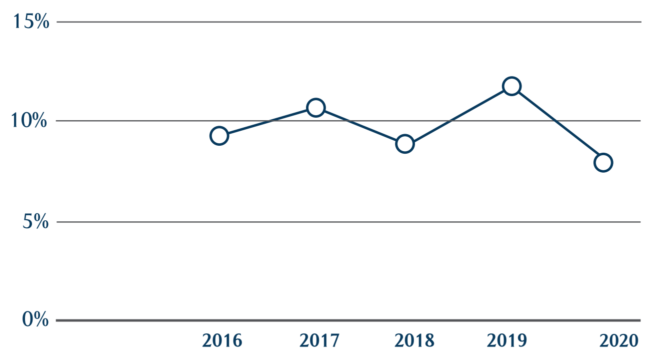
Company



Group Return on Investment

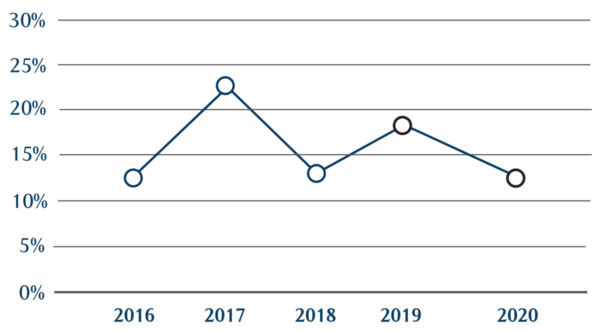


Company Return on Investment

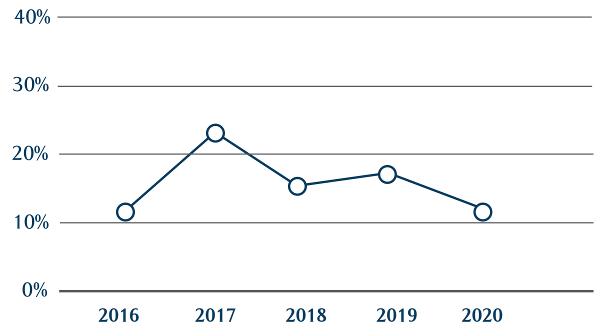


Financial Highlights (continued)

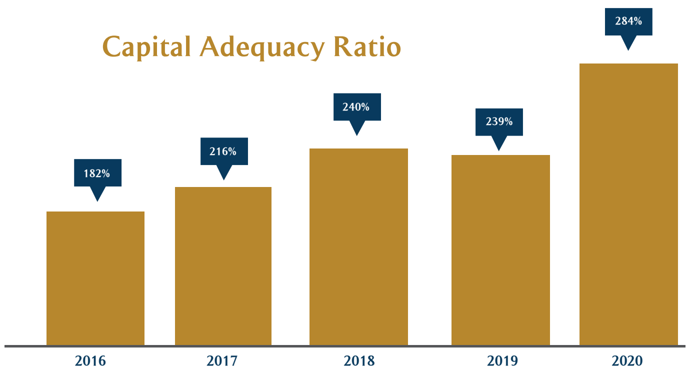
Group Return on Equity



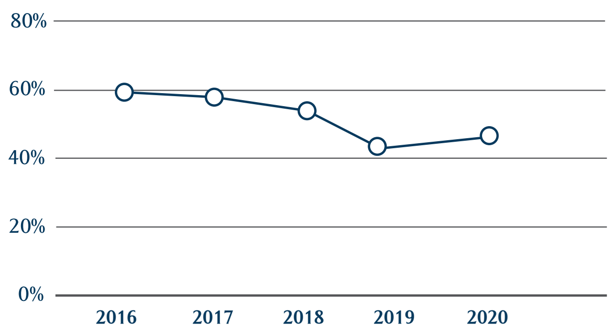
Company Return on Equity



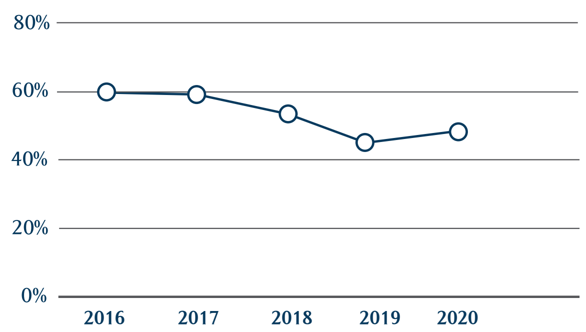
Capital Adequacy Ratio



Group Loss Ratio



Company Loss Ratio



2020

AUDITED FINANCIAL STATEMENTS

ICEA LION
GENERAL INSURANCE

REPORT OF DIRECTORS

The directors have pleasure in presenting their integrated report which includes the audited financial statements for the year ended 31 December 2020, 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 972,312,000 (2019: Kshs 1,104,319,000) whereas the company reported a profit before tax of Kshs 948,603,000 (2019: Kshs 1,113,672,000). The decreased performance was largely attributed to a decline in investment income owing to depressed prices at the Nairobi Securities Exchange. The Group and Company's 5 years financial highlights including ratios are summarised on pages 86 to 91.

The group is exposed to various risks including insurance risk, financial risk and capital risk. The details of these risks and how the Group manages them are discussed on Note 4 and pages 121 to 140.

GROUP RESULTS	2020 Shs' 000	2019 Shs' 000
Profit before income tax	972,312	1,104,319
Income tax expense	(289,791)	(218,367)
Profit for the year	**682,521**	**885,952**
Attributable to owners of the parent	677,994	889,886
Attributable to non-controlling interest	4,527	(3,934)
Profit attributable to equity holders of the parent company transferred to retained earnings	**682,521**	**885,952**

REPORT OF DIRECTORS (continued)

RESULTS AND DIVIDEND

Profit for the year of Ksh 682,521,000 (2019: Ksh 885,952,000) has been added to retained earnings. During the year, an interim dividend of Ksh 50,000,000 (2019: 50,000,000) was paid. The directors recommend the approval of a final dividend of Ksh 150,000,000 (2019: 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 20.

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 Group'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 LLP retire from office having audited the Group for the last 7 years in accordance with the Guideline to the Insurance Industry on external auditors issued by the Insurance Regulatory Authority that limits the external auditor to a period of 7 consecutive years.

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

By Order of the Board

SECRETARY
19 March 2021
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 of their financial performance for the year then ended. The directors are responsible for ensuring that the Group 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

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

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

Approved by the board of directors on 19 March 2021 and signed on its behalf by:

Dr. C W Obura	**J K Muiruri**
Director	Director

REPORT OF THE PARENT COMPANY CONSULTING ACTUARY

I have conducted an actuarial valuation of the Company's insurance liabilities as at 31 December 2020.

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 2020.

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

19 March 2021

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 financial statements of ICEA LION General Insurance Company Limited (the Company) and its subsidiary (together, the Group) set out on pages 100 to 175, which comprise the consolidated statement of financial position at 31 December 2020 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with Company statement of financial position at 31 December 2020, statement of comprehensive income, the statement of changes in equity and statement of cash flows for the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of ICEA LION General Insurance Company Limited give a true and fair view of the financial position of the Group and the Company at 31 December 2020 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 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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P O Box 43963 – 00100 Nairobi, Kenya
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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Determination of claims outstanding provision As explained in notes 3, 44 and 45 of the financial statements, outstanding claims provisions include reported claims, claims incurred but not reported ("IBNR") and unallocated loss adjustment expense reserve ("ULAE"). The estimation of the provisions involves significant judgement given the inherent uncertainty in estimating future outflows in relation to claims incurred. In addition, the valuation of these liabilities relies on the assumption that future claims development will follow a similar pattern to past claims development experience.	Evaluated and tested controls around claims reserving and settlement; On a sample basis, compared claims recorded in the claims systems to source documents; Tested the reconciliation between the claims data and that used to calculate the reserves; Considered the methodology and assumptions used in estimating reserves against generally accepted actuarial methodologies and approaches; Evaluated the reasonableness of the assumptions by performing an actual versus expected analysis on prior year's reserves to assess for any surpluses or shortfalls; and Assessed the adequacy and appropriateness of the related disclosures in notes 44 and 45 of the financial statements.

Other information

The other information comprises the information included in the integrated report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Responsibilities of the directors of the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the 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 and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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

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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

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

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on page 93 to 94 is consistent with the financial statements.

Certified Public Accountants
Nairobi
FCPA Richard Njoroge, Practising certificate No. 1244.
Signing partner responsible for the independent audit

30 March 2021

Consolidated and Company Statements of Comprehensive Income
for the year ended 31 December 2020

	Notes	GROUP 2020 Ksh'000	GROUP 2019 Ksh '000	COMPANY 2020 Ksh'000	COMPANY 2019 Ksh '000
Gross Written Premium	5(a)	6,677,610	6,253,833	6,057,394	5,855,812
Gross Earned Premium	5(b)	6,535,040	6,034,625	5,988,397	5,678,217
Less: Reinsurance premium ceded	5(c)	(3,133,755)	(3,029,030)	(2,832,160)	(2,837,236)
Net earned premiums		**3,401,285**	**3,005,595**	**3,156,237**	**2,840,981**
Commission income	6	485,671	448,829	405,626	396,397
Investment income	7(a)	809,159	1,093,698	766,747	1,070,357
Finance income	7(b)	6,838	8,070	6,838	8,070
Foreign exchange gains	8	9,469	4,313	7,493	3,394
Total income		**4,712,422**	**4,560,505**	**4,342,941**	**4,319,199**
Claims expense	9	(1,558,676)	(1,285,974)	(1,480,393)	(1,255,384)
Commission expense	10	(690,089)	(622,120)	(601,079)	(564,422)
Operating and other expenses	11(a)	(1,356,049)	(1,413,195)	(1,175,847)	(1,250,847)
Finance costs	11(b)	(56,396)	(75,453)	(55,145)	(73,510)
Impairment of assets	11(c)	(78,900)	(59,444)	(81,874)	(61,364)
Total expenses		**(3,740,110)**	**(3,456,186)**	**(3,394,338)**	**(3,205,527)**
Profit before income tax		**972,312**	**1,104,319**	**948,603**	**1,113,672**
Income tax expense	13(a)	(289,791)	(218,367)	(275,716)	(219,350)
Profit for the year		**682,521**	**885,952**	**672,887**	**894,322**
Other comprehensive income net of tax;					
Items that may not be subsequently classified to profit or loss					
Change in fair value of equity securities at Fair Value Through Other Comprehensive Income	33(a)	692	140	-	-
Deferred Tax on fair value gain		(208)	(42)	-	-
		484	**98**	**-**	**-**
Items that may subsequently be classified to profit or loss					
Exchange differences on translating net assets of foreign subsidiary		15,315	(1,343)	-	-
Change in fair value of debt securities at Fair Value Through Other Comprehensive Income	32(b)	7,823	6,484	7,823	6,484
Loss on disposal of debt securities at fair value through other comprehensive income		(19,329)	-	(19,329)	-
Deferred Tax on fair value gain		3,452	5,664	3,452	5,664
		7,261	**10,805**	**(8,054)**	**12,148**
Total other comprehensive income net of tax		**7,745**	**10,903**	**(8,054)**	**12,148**
Total comprehensive income for the year		**690,266**	**896,855**	**664,833**	**906,470**
Profit attributable to:					
Owners of the parent		677,994	889,886	672,887	894,322
Non-controlling interest		4,527	(3,934)	-	-
		682,521	**885,952**	**672,887**	**894,322**
Total comprehensive income attributable to:					
Owners of the parent		685,512	900,743	664,833	906,470
Non-controlling interest		4,754	(3,888)	-	-
		690,266	**896,855**	**664,833**	**906,470**
Earnings per share (Basic and Diluted)	15	13.56	17.80	13.46	17.89

The notes on pages 105 to 175 are an integral part of these financial statements

Consolidated and Company Statements of Financial Position
as at 31 December 2020

		GROUP		COMPANY	
ASSETS	Notes	2020 Ksh '000	2019 Ksh '000	2020 Ksh '000	2019 Ksh '000
Intangible assets	17	14,252	10,269	13,176	9,798
Property and equipment	18	70,909	76,646	64,322	69,777
Right-of-use asset	19	219,111	363,880	205,363	343,863
Investment in subsidiaries at cost	20	-	-	50,147	50,147
Investment properties	21	2,710,000	2,765,000	2,710,000	2,765,000
Other receivables	22	237,385	251,856	210,819	236,640
Due from subsidiary company	23	-	-	1,878	6,078
Kenya motor insurance pool	24	75,867	74,691	75,867	74,691
Investment in sub-lease	25	55,298	65,988	55,298	65,988
Deferred income tax	26(c)	24,811	33,413	-	-
Current tax recoverable	13(d)	24,879	23,053	-	-
Deferred acquisition costs	27	261,444	264,017	219,767	236,805
Reinsurers' share of technical provisions and reserves	28	2,997,945	2,363,236	2,575,311	2,146,136
Receivables arising out of direct insurance arrangements	29	505,117	568,301	502,373	564,842
Receivables arising out of reinsurance arrangements	30	194,017	117,898	147,183	90,199
Corporate bonds at amortised cost	31(a)	96,318	140,138	96,318	140,138
Corporate bonds at fair value through profit or loss	31(b)	-	16,694	-	16,694
Debt securities at amortised cost	32(a)	4,728,165	4,275,385	4,621,980	4,181,447
Debt securities at fair value through other comprehensive income	32(b)	615,822	651,275	615,822	651,275
Equity securities at fair value through other comprehensive income	33(a)	7,493	6,354	-	-
Equity securities at fair value through profit or loss	33(b)	1,008,252	1,098,510	911,629	1,012,036
Deposits with financial institutions at amortised cost	34(a)	682,604	583,663	426,896	386,310
Cash and bank balances	34(b)	84,091	39,299	56,445	21,779
Total Assets		**14,613,780**	**13,789,566**	**13,560,594**	**13,069,643**
EQUITY AND LIABILITIES					
Ordinary shares	36	1,000,000	1,000,000	1,000,000	1,000,000
Other reserve	37(a)	(19,988)	(12,191)	(21,272)	(13,218)
Contingency reserve	37(b)	56,058	46,876	-	-
Currency translation reserve	37(c)	(34,330)	(49,645)	-	-
Retained earnings	37(d)	4,364,821	3,891,696	4,292,425	3,819,538
Proposed dividends		150,000	150,000	150,000	150,000
		5,516,561	**5,026,736**	**5,421,153**	**4,956,320**
Non-controlling interests	38	102,886	102,445	-	-
Total Equity		**5,619,447**	**5,129,181**	**5,421,153**	**4,956,320**
LIABILITIES					
Deferred income tax	26(c)	258,324	306,019	258,324	306,019
Other payables	39	526,602	476,072	473,510	422,555
Current tax payable	13(d)	30,947	26,454	30,947	26,454
Lease Liability	40	460,120	619,496	446,835	600,215
Deferred reinsurance commissions	41	163,121	167,197	137,300	146,260
Unearned premiums reserve	42	2,738,102	2,582,602	2,486,880	2,417,883
Payables arising from reinsurance arrangements	43	376,840	407,342	280,178	340,666
Outstanding claims provision	44	4,440,277	4,075,203	4,025,467	3,853,271
Total Liabilities		**8,994,333**	**8,660,385**	**8,139,441**	**8,113,323**
Total Equity and Liabilities		**14,613,780**	**13,789,566**	**13,560,594**	**13,069,643**

The financial statements on pages 100 to 175 were approved and authorised for issue by the board of directors on 19 March 2021 and were signed on its behalf by:

Dr. C W Obura
Director

J.K. Muiruri
Director

Dr. C. Mwangi
Ag. Principal Officer

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital Ksh '000	Other reserve Ksh '000	Contingency reserve Ksh '000	Currency translation reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Attributable to shareholders Ksh '000	Non-controlling interest Ksh '000	Total Ksh '000
Balance at 1 January 2019	**1,000,000**	**(24,391)**	**41,263**	**(48,302)**	**3,327,034**	**200,000**	**4,495,604**	**109,248**	**4,604,852**
Changes on initial application of IFRS 16									
Day one adjustment on retained earnings	-	-	-	-	(174,643)	-	(174,643)	(392)	(175,035)
Day one deferred tax adjustment (Note 26)	-	-	-	-	52,393	-	52,393	116	52,509
Restated as at 1 January 2019	**1,000,000**	**(24,391)**	**41,263**	**(48,302)**	**3,204,784**	**200,000**	**4,373,354**	**108,972**	**4,482,326**
Profit for the year	-	-	-	-	889,886	-	889,886	(3,934)	885,952
Other comprehensive income for the year	-	12,200	-	(1,343)	-	-	10,857	46	10,903
Total comprehensive income	**-**	**12,200**	**-**	**(1,343)**	**889,886**	**-**	**900,743**	**(3,888)**	**896,855**
Transfer from retained earnings to contingency reserve	-	-	5,613	-	(2,974)	-	2,639	(2,639)	-
Dividends									
-2018 final dividends	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
-2019 interim dividend paid	-	-	-	-	(50,000)	-	(50,000)	-	(50,000)
-2019 proposed dividend	-	-	-	-	(150,000)	150,000	-	-	-
Balance as at 31 December 2019	**1,000,000**	**(12,191)**	**46,876**	**(49,645)**	**3,891,696**	**150,000**	**5,026,736**	**102,445**	**5,129,181**
Balance at 1 January 2020	**1,000,000**	**(12,191)**	**46,876**	**(49,645)**	**3,891,696**	**150,000**	**5,026,736**	**102,445**	**5,129,181**
Profit for the year	-	-	-	-	677,994	-	677,994	4,527	682,521
Other comprehensive income for the year	-	(7,797)	-	15,315	-	-	7,518	227	7,745
Total comprehensive income	**-**	**(7,797)**	**-**	**15,315**	**677,994**	**-**	**685,512**	**4,754**	**690,266**
Transfer from retained earnings to contingency reserve	-	-	9,182	-	(4,869)	-	4,313	(4,313)	-
Dividends									
-2019 final dividend paid	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
-2020 interim dividend paid	-	-	-	-	(50,000)	-	(50,000)	-	(50,000)
-2020 proposed final dividend	-	-	-	-	(150,000)	150,000	-	-	-
Balance as at 31 December 2020	**1,000,000**	**(19,988)**	**56,058**	**(34,330)**	**4,364,821**	**150,000**	**5,516,561**	**102,886**	**5,619,447**

The notes on pages 105 to 175 are an integral part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital Ksh '000	Other reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Total Ksh '000
Balance at 1 January 2019	**1,000,000**	**(25,366)**	**3,247,157**	**200,000**	**4,421,791**
Changes on initial application of IFRS 16					
Day one adjustment on retained earnings	-	-	(174,201)	-	(174,201)
Day one deferred tax adjustment (Note 26)	-	-	52,260	-	52,260
Restated as at 1 January 2019	**1,000,000**	**(25,366)**	**3,125,216**	**200,000**	**4,299,850**
Total comprehensive income for the year					
Profit for the year	-	-	894,322	-	894,322
Other comprehensive income	-	12,148	-	-	12,148
Total comprehensive income for the year	**-**	**12,148**	**894,322**	**-**	**906,470**
Dividends					
-2018 final dividends	-	-	-	(200,000)	(200,000)
-2019 interim dividend paid	-	-	(50,000)	-	(50,000)
-2019 proposed dividend	-	-	(150,000)	150,000	-
Balance as at 31 December 2019	**1,000,000**	**(13,218)**	**3,819,538**	**150,000**	**4,956,320**
Balance at 1 January 2020	**1,000,000**	**(13,218)**	**3,819,538**	**150,000**	**4,956,320**
Profit for the year	-	-	672,887	-	672,887
Other comprehensive income	-	(8,054)	-	-	(8,054)
Total comprehensive income for the year	**-**	**(8,054)**	**672,887**	**-**	**664,833**
Dividends:					
-2019 final dividend paid	-	-	-	(150,000)	(150,000)
-2020 interim dividend paid	-	-	(50,000)	-	(50,000)
-2020 proposed final dividend	-	-	(150,000)	150,000	-
Balance as at 31 December 2020	**1,000,000**	**(21,272)**	**4,292,425**	**150,000**	**5,421,153**

The notes on pages 105 to 175 are an integral part of these financial statements

Consolidated and Company Statements of Cash Flows
for the year ended 31 December 2020

	Notes	GROUP 2020 Ksh '000	GROUP 2019 Ksh '000	COMPANY 2020 Ksh '000	COMPANY 2019 Ksh '000
Cash flows from operating activities					
Cash generated from operations	48(a)	236,180	188,265	173,939	190,095
Income tax paid	13(c)	(319,410)	(200,045)	(315,466)	(197,177)
Net cash used in operating activities		**(83,230)**	**(11,780)**	**(141,527)**	**(7,082)**
Cash flows from investing activities					
Purchase of property and equipment	18	(32,466)	(20,888)	(29,727)	(17,844)
Proceeds from sale of property and equipment		933	6,954	69	6,762
Purchase of intangible assets	17	(10,873)	(4,942)	(9,741)	(4,915)
Net movement in debt securities at amortised cost		(260,110)	(114,931)	(247,455)	(103,866)
Net movement in debt securities at fair value through other comprehensive income		74,131	(282,179)	74,131	(282,179)
Proceeds of sale of equity securities held at fair value through profit or loss		2,895	43,270	2,895	43,270
Purchase of equity instruments held at fair value through profit or loss		(56,480)	(32,868)	(56,480)	(32,868)
Maturities of corporate bonds	31(a)	47,030	80,399	47,030	80,399
Proceeds on disposal of Corporate bond at FVTPL		14,914	-	14,914	-
Investment property additions	21	-	(15,555)	-	(15,555)
Net investment in deposits maturing after 3 months		67,003	(211,138)	109,014	(125,794)
Interest income		671,377	599,045	642,569	574,803
Rental income	7	213,638	233,300	213,638	233,300
Dividend income	7	42,221	56,373	38,699	52,050
Net cash generated from investing activities		**774,213**	**336,840**	**799,556**	**407,563**
Cash flows from financing activities					
Dividends paid to shareholders of parent company	16	(200,000)	(250,000)	(200,000)	(250,000)
Repayment of lease liability	40	(96,977)	(121,838)	(88,395)	(111,030)
Income on investment in sub-lease received		8,996	9,461	8,996	9,461
Net cash used in financing activities		**(287,981)**	**(362,377)**	**(279,399)**	**(351,569)**
Net decrease in cash and cash equivalents		**403,002**	**(37,317)**	**378,630**	**48,912**
Cash and cash equivalents at beginning of year		279,379	318,929	221,311	172,399
Effect of exchange rate changes on translation of cash and cash equivalents		2,499	(2,233)	-	-
Cash and cash equivalents at year end	48(b)	**684,880**	**279,379**	**599,941**	**221,311**

The notes on pages 105 to 175 are an integral part of these 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

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

(i) Statement of compliance
The consolidated financial statements of the Company and its subsidiary as well as the separate financial statements of the Company, together referred to as "the financial statements", have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and in the manner required by the Kenyan Companies Act, 2015. The financial statements comply with IFRSs as issued by the International Accounting Standards Board (IASB).

(ii) Basis of measurement
The financial statements have been prepared on the historical cost basis except for the following which are measured at fair value: -

- Financial instruments at fair value through profit or loss,
- Financial assets at fair value through other comprehensive income, and;
- Investment properties

(iii) Functional and presentation currency
The financial statements are presented in Kenya Shillings (KShs), which is the functional currency of the parent company. Except as otherwise indicated, financial information presentation in Kenya shillings has been rounded to the nearest thousand (KShs '000').

(iv) Use of estimates and judgements
In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

New and amended IFRS Standards that are effective for the current year

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c. There is no substantive change to other terms and conditions of the lease.
   In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020).

Impact on accounting for changes in lease payments applying the exemption

The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B, and has not restated prior period figures.

The Group has benefited from 6 months, 2 months, 6 months and 3 months waiver of lease payments on Mombasa, Karen, Eldoret and Thika branches respectively. The waiver of lease payments of Kshs 904,584 has been accounted for as a negative variable lease payment in profit or loss. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9:3.3.1.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Group did not acquire a business during the year.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

New and revised IFRS Standards in issue but not yet effective

Standard	Effective date
IFRS 17, Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.
Amendments to IAS 1-Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 3-Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16-Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
Amendments to IAS 37-Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards,	1 January 2022
IFRS 9 Financial Instruments,	1 January 2022
IFRS 16 Leases	N/A

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

IFRS 17 Insurance Contracts

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The directors expect that the adoption of IFRS 17 will have a material impact on the financial statements of the Group once the standard is effective.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary, that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments will have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on:-

- rights that are in existence at the end of the reporting period,
- specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability,
- explain that rights are in existence if covenants are complied with at the end of the reporting period, and
- introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Amendments to IFRS 3 – Reference to the Conceptual Framework (continued)
Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

The *Annual Improvements* include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

The Group has not early adopted any of these standards.

(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.

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

i) Revenue (described as Gross Earned Premium in the statement of comprehensive income)

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.

ii) Other income

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.

Interest income for all interest bearing financial instruments is recognised using the effective interest rate method. Dividend 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 attained are recognised as income in the same manner as they would be if the reinsurance were considered direct business. Ceded reinsurance arrangements do not relieve the group from its obligations to policyholders. 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.

The group also assumes reinsurance risk in the normal course of business for non-life insurance contracts. Premiums and claims on 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) 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 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 levels of IBNR set by regulations in Kenya and Tanzania.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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.

(j) Retirement Contribution 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 contribution schemes are charged to profit or loss as they fall due. There is no further obligation to the group.

(k) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax (continued)

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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

The useful lives of intangible assets are assessed to be either finite or indefinite. Costs associated with maintaining computer software are recognized as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software beyond their original specifications and lives is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over a period of 3 years. There are no intangible assets with indefinite useful lives.

(p) Leases

(a) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases (continued)

(a) The Group as lessee (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

During the year, the Group eliminated the impact of Value Added Tax in its measurement of both lease liability and right-of-use asset and expensed the Value Added Tax under variable lease payments not included in lease liability. In addition the head office lease terms were substantially changed resulting into a re-measurement of both the lease liability and the right-of-use asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) The Group as the lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

Recognition and derecognition

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

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt securities

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

Amortised cost

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

FVOCI

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

Equity securities

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

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

Determination of fair value

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial assets (continued)

Determination of fair value (continued)

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:

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

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

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and debt instruments carried at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- Debt securities measured at amortised cost
- Receivables arising from direct insurance arrangements;
- Receivables arising from reinsurance arrangements;
- Corporate bonds;
- Deposits with financial institutions; and
- Cash and bank balances
- Kenya motor insurance pool

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

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

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

- Debt instruments that are determined to have low credit risk at the reporting date. The Group will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.
  Loss allowances for premium and rent receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:
- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial assets (continued)

Measurement of expected credit losses

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

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

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

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

Expected credit losses

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

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, the Group follows the general approach.

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

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

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

Definition of default

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

- the counterparty or borrower is unlikely to pay their credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the counterparty or borrower is more than 90 days past due on any material credit obligation to the Group. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Group; or;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
(q) Financial assets (continued)

Significant increase in credit risk (SIICR)

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

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:
- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

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

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

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:
- Probability of Default;
- Loss given default (LGD); and
- Exposure at default (EAD).

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

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

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

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

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

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

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group uses to derive the default rates of its portfolios.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial assets (continued)

Fair value through profit or loss (FVTPL)

If a financial asset or group of financial assets is not held within the "hold to collect" or the "hold to collect and sell" business model it should be measured at FVTPL. FVTPL is the residual category and IFRS 9. Additionally, a business model in which an entity manages financial assets, with the objective of realizing cash flows through solely the sale of the assets would result into FVTPL business model. Even though the entity might collect contractual cash flows while it holds the financial assets the objectives of such a business model is not achieved by both collecting contractual cash flows and selling financial assets. This is because the collection of contractual cash flows is not integral to achieving the business models objectives; instead it is incidental to it.

Financial liabilities

Two measurement categories exist for financial liabilities; FVTPL and amortised cost. Financial liabilities that are held for trading are measured at FVTPL and all other financial liabilities are measured at amortised cost unless the fair value option is applied. IFRS 9, contains an option to designate a financial liability as measured at FVTPL when:-

(i) Doing so significantly reduces or eliminates an accounting mismatch that would arise from measuring assets and liabilities or recognising gains or losses on different basis
(ii) The liability is part of a group of financial liabilities that are managed and performance is evaluated on a fair value basis.

A financial liability that does not meet any of the above two criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

Derecognition of financial liabilities

A financial liability is removed from the statement of financial position when and only when it is extinguished, i.e. when the obligation in the contract is either discharged or cancelled or it expires. Where there been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as extinguishment of the original financial liability and the recognition of a new financial liability.

A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

(r) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

(s) 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.

(t) 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.

(u) 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 UNCERTAINITY

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

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.

In the event that minimum prescribed IBNR rates as determined by the insurance regulations in Kenya and Tanzania are higher than those estimated by the group, the regulatory limits are applied.

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. Outstanding claim reserves also include an unallocated loss adjustment expenses reserve. Determination of the level of expenses required to pay claims on run-off in the event the business was to be wound up, is an area of professional judgement.

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

GROUP

		31 December 2020		31 December 2019	
	% 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%	44,403	27,772	40,752	29,006

COMPANY

		31 December 2020		31 December 2019	
	% 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%	40,255	26,903	38,533	28,191

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.

Calculation of loss allowance

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY (Continued)

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on the financial assets had been 5% higher (lower) as of 31 December 2020, the loss allowance would have been Kshs. 27,334,000 and Kshs. 26,184,000 (2019: Kshs. 27,365,000 and Kshs. 25,748,000) for the group and the company respectively.

Valuation of investment properties

The valuation takes into effect the general state of the economy which is in a depressed state exacerbated by the current COVID-19 pandemic. This has resulted into a depressed property market where prices in both rental and property sales have gone down. This has been reflected in the valuation hence resulting into a key judgement area.

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 2020	31 December 2019
	% change	Impact on profit before tax Kshs'000	Impact on profit before tax Kshs'000
Gross annual rental	+/-5%	10,682	11,665
Gross annual rental	-5%	(10,682)	(11,665)
Rate of return	+2.5%	5,341	5,833
Rate of return	-2.5%	(5,341)	(5,833)

Assessment as to whether the right-of-use assets is impaired

In estimating the recoverable amount of the right-of-use asset, the directors have made assumptions about the achievable market rates for similar properties with similar lease terms. Due to the associated uncertainty, it is possible that the estimates of the amount of lease payment that will be recovered through the sub-lease of the property may need to be revised during the next year.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 2). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

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

4 RISK MANAGEMENT (Continued)

Management of Insurance and financial risk (continued)

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 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. The claims reserves also includes an estimate for incurred but not reported claims.

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.

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 group operates. The amounts are the carrying amounts of the sum insured (gross and net of reinsurance) arising from insurance contracts.

GROUP		Ksh '000	Ksh'000	Ksh'000	Ksh'000
31 December 2020		Below 20m	20m to 50m	Over 50 million	Total
Aviation	Gross	833,666	713,053	402,264,559	403,811,278
	Net	788,067	72,872	60,000	920,939
Engineering	Gross	4,783,532	4,631,090	57,534,622	66,949,244
	Net	4,866,636	5,009,373	13,655,008	23,531,017
Fire Domestic	Gross	36,405,374	44,548,335	93,630,515	174,584,224
	Net	36,569,056	43,986,654	65,943,080	146,498,790
Fire Industrial	Gross	41,468,890	55,538,749	1,571,824,305	1,668,831,944
	Net	36,451,098	53,394,674	274,727,302	364,573,074
Liability	Gross	7,773,042	9,292,963	179,621,206	196,687,211
	Net	7,696,288	7,329,836	22,356,678	37,382,802
Marine	Gross	10,740,650	4,843,560	26,767,434	42,351,644
	Net	10,958,043	4,833,939	12,856,312	28,648,294
Medical	Gross	12,868,650	-	-	12,868,650
	Net	3,860,595	-	-	3,860,595
Miscellaneous Accident	Gross	9,536,606	9,141,013	10,246,522	28,924,141
	Net	3,998,515	482,555	159,550	4,640,620
Motor Commercial	Gross	7,708,749	2,244,506	8,468,862	18,422,117
	Net	7,619,793	2,301,279	7,556,042	17,477,114
Motor Private	Gross	30,175,011	2,454,382	5,991,702	38,621,095
	Net	29,870,318	2,385,018	5,983,780	38,239,116
Personal Accident	Gross	2,997,684	12,129,863	104,951,725	120,079,272
	Net	3,349,644	11,660,659	45,200,935	60,211,238
Theft	Gross	10,527,433	8,328,616	57,662,895	76,518,944
	Net	10,474,903	8,408,353	52,650,283	71,533,539
Workmen's Compensation	Gross	910,944	62,939,298	109,342,916	173,193,158
	Net	972,257	62,903,784	103,335,394	167,211,435
	Gross	**176,730,231**	**216,805,428**	**2,628,307,263**	**3,021,842,922**
31 December 2020	**Net**	**157,475,213**	**202,768,996**	**604,484,364**	**964,728,573**

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 group operates. The amounts are the carrying amounts of the sum insured (gross and net of reinsurance) arising from insurance contracts.

GROUP		Ksh '000	Ksh'000	Ksh'000	Ksh'000
31 December 2019		**Below 20m**	**20m to 50m**	**Over 50 million**	**Total**
Aviation	Gross	1,005,977	729,714	1,073,992,501	1,075,728,192
	Net	780,338	173,338	237,282	1,190,958
Engineering	Gross	4,494,136	4,603,147	90,309,790	99,407,073
	Net	4,504,314	4,871,234	15,744,212	25,119,760
Fire Domestic	Gross	33,742,984	41,980,249	89,827,382	165,550,615
	Net	33,827,545	41,597,747	62,268,647	137,693,939
Fire Industrial	Gross	39,442,025	54,172,646	1,452,084,370	1,545,699,041
	Net	32,546,561	48,360,219	272,475,820	353,382,600
Liability	Gross	7,499,319	8,280,561	130,703,229	146,483,109
	Net	7,126,357	6,223,031	26,198,115	39,547,503
Marine	Gross	3,485,831	1,986,881	16,954,884	22,427,596
	Net	3,506,637	1,934,911	11,426,355	16,867,903
Medical	Gross	11,307,850	-	-	11,307,850
	Net	11,307,850	-	-	11,307,850
Miscellaneous Accident	Gross	30,551,891	26,913,455	12,436,173	69,901,519
	Net	12,349,824	690,942	314,036	13,354,802
Motor Commercial	Gross	7,032,002	1,981,716	5,434,961	14,448,679
	Net	6,947,851	1,976,451	5,294,268	14,218,570
Motor Private	Gross	24,904,421	2,089,874	5,290,430	32,284,725
	Net	24,612,148	2,068,755	5,068,865	31,749,768
Personal Accident	Gross	3,196,147	12,131,583	89,766,391	105,094,121
	Net	3,227,617	11,633,362	39,425,944	54,286,923
Theft	Gross	10,633,630	7,114,190	45,722,589	63,470,409
	Net	10,550,113	7,079,707	43,122,931	60,752,751
Workmen's Compensation	Gross	859,310	59,850,316	91,153,507	151,863,133
	Net	861,234	59,726,869	88,257,325	148,845,428
	Gross	**178,155,523**	**221,834,332**	**3,103,676,207**	**3,503,666,062**
31 December 2019	**Net**	**152,148,389**	**186,336,566**	**569,833,800**	**908,318,755**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

COMPANY		Ksh '000	Ksh'000	Ksh'000	Ksh'000
31 December 2020		Below 20m	20m to 50m	Over 50 million	Total
Aviation	Gross	795,915	662,577	401,278,637	402,737,129
	Net	761,240	41,192	60,000	862,432
Engineering	Gross	4,065,130	4,149,842	49,185,743	57,400,715
	Net	4,160,654	4,269,398	12,348,857	20,778,909
Fire Domestic	Gross	35,026,801	43,952,424	93,176,789	172,156,014
	Net	35,288,497	43,490,141	65,534,726	144,313,364
Fire Industrial	Gross	38,142,708	52,012,373	1,486,451,381	1,576,606,462
	Net	32,749,046	49,238,184	255,344,067	337,331,297
Liability	Gross	7,138,315	8,698,177	138,171,964	154,008,456
	Net	6,960,151	6,538,177	20,367,319	33,865,647
Marine	Gross	10,447,419	4,572,493	22,957,270	37,977,182
	Net	10,505,339	4,761,051	11,832,419	27,098,809
Medical	Gross	12,868,650	-	-	12,868,650
	Net	3,860,595	-	-	3,860,595
Miscellaneous Accident	Gross	9,259,956	8,900,026	9,665,728	27,825,710
	Net	3,938,786	482,555	159,550	4,580,891
Motor Commercial	Gross	6,878,472	2,002,676	4,720,554	13,601,702
	Net	6,878,420	2,002,676	4,720,554	13,601,650
Motor Private	Gross	27,810,042	2,203,978	5,912,480	35,926,500
	Net	27,809,374	2,203,978	5,912,480	35,925,832
Personal Accident	Gross	2,696,974	11,539,822	102,306,230	116,543,026
	Net	2,747,471	11,527,322	44,206,249	58,481,042
Theft	Gross	9,645,048	7,648,959	55,843,708	73,137,715
	Net	9,645,038	7,628,959	51,729,625	69,003,622
Workmen's Compensation	Gross	688,285	62,623,966	107,728,636	171,040,887
	Net	688,285	62,620,224	102,597,236	165,905,745
	Gross	**165,463,715**	**208,967,313**	**2,477,399,120**	**2,851,830,148**
31 December 2020	**Net**	**145,992,896**	**194,803,857**	**574,813,082**	**915,609,835**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

COMPANY		Ksh '000	Ksh'000	Ksh'000	Ksh'000
31 December 2019		Below 20m	20m to 50m	Over 50 million	Total
Aviation	Gross	964,769	704,433	1,073,623,397	1,075,292,599
	Net	769,781	168,788	228,184	1,166,753
Engineering	Gross	3,832,554	4,270,017	65,945,316	74,047,887
	Net	3,909,274	4,568,762	12,758,108	21,236,144
Fire Domestic	Gross	32,970,428	41,526,090	89,297,477	163,793,995
	Net	33,131,483	41,189,004	61,791,733	136,112,220
Fire Industrial	Gross	37,527,453	51,650,061	1,363,682,794	1,452,860,308
	Net	30,881,127	46,245,102	253,955,362	331,081,591
Liability	Gross	7,094,432	7,879,448	82,646,873	97,620,753
	Net	6,772,638	5,912,073	24,177,221	36,861,932
Marine	Gross	3,255,851	1,729,832	15,262,611	20,248,294
	Net	3,304,659	1,848,904	10,821,320	15,974,883
Medical	Gross	11,307,850	-	-	11,307,850
	Net	11,307,850	-	-	11,307,850
Miscellaneous Accident	Gross	30,241,890	26,866,353	11,930,551	69,038,794
	Net	12,311,740	684,850	308,980	13,305,570
Motor Commercial	Gross	6,533,159	1,929,068	4,813,998	13,276,225
	Net	6,532,537	1,929,068	4,813,998	13,275,603
Motor Private	Gross	23,344,611	1,973,340	4,895,026	30,212,977
	Net	23,344,231	1,973,340	4,895,026	30,212,597
Personal Accident	Gross	2,855,123	11,659,805	88,745,290	103,260,218
	Net	2,931,975	11,398,310	39,251,152	53,581,437
Theft	Gross	9,848,559	6,767,840	44,129,385	60,745,784
	Net	9,847,873	6,765,340	42,199,011	58,812,224
Workmen's Compensation	Gross	685,228	59,749,289	89,612,623	150,047,140
	Net	704,228	59,635,946	87,354,209	147,694,383
	Gross	**170,461,907**	**216,705,576**	**2,934,585,341**	**3,321,752,824**
31 December 2019	**Net**	**145,749,396**	**182,319,487**	**542,554,304**	**870,623,187**

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 2020			
Kenya	2,851,830,148	1,936,220,313	915,609,835
Tanzania	170,012,774	120,894,036	49,118,738
Total	**3,021,842,922**	**2,057,114,349**	**964,728,573**
31 December 2019			
Kenya	3,321,752,824	2,451,129,637	870,623,187
Tanzania	181,913,238	144,217,670	37,695,568
Total	**3,503,666,062**	**2,595,347,307**	**908,318,755**

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 risks: 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 2020, 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 473,447 (2019: Ksh 208,376) higher/lower, mainly as a result of US dollar denominated deposits with financial institutions in Kenya and in Tanzania.

At 31 December 2020, 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 374,633 (2019: Ksh 162,450) 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. The securities that are subject to interest rate risk are bank deposits, corporate bonds and debt securities.

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 34,537,000 (2019: Ksh 30,536,000).

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 33,042,000 (2019: 29,180,000).

(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 at fair value through profit or loss. Exposure to equity price risk in aggregate is monitored in order to ensure compliance.

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) 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 2020, if equity market indices had increased/decreased by 5%, with all other variables held constant, the group profit before tax for the year would increase/ decrease by Ksh 50,412,000 (2019: increase/decrease by Ksh 55,243,220).

At 31 December 2020, if equity market indices had increased/decreased by 5%, with all other variables held constant, the company profit before tax for the year would increase/decrease by Ksh 45,581,000 (2019: increase/decrease by Ksh 50,601,000).

(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 procedures 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

The provision rates are based on days past due for various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group and Company's receivables from direct insurance business and reinsurance receivables.

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

Expected credit loss as at 31 December 2020

GROUP

Total exposure as at December 2020

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	133,577	4,505	3,771	10,116	25,356	177,325
Brokers	115,821	108,498	48,549	152,543	180,050	605,461
Direct	28,492	11,738	3,476	4,752	15,618	64,076
Travel	75	25	35	127	353	615
TGAs	(598)	271	972	(31)	-	614
Receivables arising out of direct insurance arrangements	**277,367**	**125,037**	**56,803**	**167,507**	**221,377**	**848,091**
Reinsurance Receivables	136,734	3,977	22,582	9,299	163,011	335,603
Total	**414,101**	**129,014**	**79,385**	**176,806**	**384,388**	**1,183,694**

Total impairment as at December 2020

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	-	-	-	9,346	25,385	34,731
Brokers	-	-	487	109,127	179,970	289,584
Direct	12	26	52	3,801	14,768	18,659
Receivables arising out of direct insurance arrangements	**12**	**26**	**539**	**122,274**	**220,123**	**342,974**
Reinsurance Receivables	80	250	74	872	140,310	141,586
Total	**92**	**276**	**613**	**123,146**	**360,433**	**484,560**

Loss Rates

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	0%	0%	0%	92%	100%	20%
Brokers	0%	0%	1%	72%	100%	48%
Direct	0%	0%	1%	80%	95%	29%
Reinsurance Receivables	0%	6%	0%	9%	86%	42%
Total	**0%**	**0%**	**1%**	**70%**	**94%**	**41%**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

Expected credit loss as at 31 December 2019

GROUP

Total exposure as at December 2019

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	21,379	20,946	11,339	31,421	61,843	146,928
Brokers	394,854	(9,318)	46,993	89,287	171,018	692,834
Direct	18,624	8,792	7,195	29,106	26,013	89,730
Life Agents	1,302	250	(35)	39	(640)	916
General Agents	90	194	(1)	-	-	283
Travel	37	(286)	113	204	294	362
Receivables arising out of direct insurance arrangements	**436,286**	**20,578**	**65,604**	**150,057**	**258,528**	**931,053**
Reinsurance Receivables	8,674	61,611	(58,921)	19,487	247,961	278,812
Total	**444,960**	**82,189**	**6,683**	**169,544**	**506,489**	**1,209,865**

Total impairment as at December 2019

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	1	7	36	26,516	61,120	87,680
Brokers	371	(18)	447	78,235	146,530	225,565
Direct	7	19	104	24,215	25,162	49,507
Life Agents	-	-	-	-	-	-
General Agents	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Receivables arising out of direct insurance arrangements	**379**	**8**	**587**	**128,966**	**232,812**	**362,752**
Reinsurance Receivables	1,983	21,193	(20,465)	9,563	148,640	160,914
Total	**2,362**	**21,201**	**(19,878)**	**138,529**	**381,452**	**523,666**

Loss Rates

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	-	-	-	84%	99%	60%
Brokers	-	-	1%	83%	86%	32%
Direct	-	-	1%	83%	97%	55%
Life Agents	-	-	-	-	-	-
General Agents	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Reinsurance Receivables	23%	34%	35%	53%	61%	59%
Total	**1%**	**26%**	**(297%)**	**80%**	**76%**	**43%**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

Company

Total exposure as at December 2020

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	133,579	4,492	3,773	10,136	25,018	176,998
Brokers	115,801	106,058	48,806	152,662	179,787	603,114
Direct	28,524	11,795	3,497	4,847	13,438	62,101
Travel	75	25	35	127	353	615
TGAs	(598)	271	972	(31)	(0)	614
Receivables arising out of direct insurance arrangements	**277,381**	**122,641**	**57,083**	**167,741**	**218,596**	**843,442**
Reinsurance Receivables	122,237	-	14,466	-	141,181	277,884
Total	**399,618**	**122,641**	**71,549**	**167,741**	**359,777**	**1,121,326**

Total impairment as at December 2020

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	-	-	-	9,291	25,018	34,309
Brokers	-	-	487	109,127	179,970	289,584
Direct	12	26	48	3,651	13,439	17,176
Receivables arising out of direct insurance arrangements	**12**	**26**	**535**	**122,069**	**218,427**	**341,069**
Reinsurance Receivables	47	-	62	-	130,592	130,701
Total	**59**	**26**	**597**	**122,069**	**349,019**	**471,770**

Loss Rates

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	0%	0%	0%	92%	100%	19%
Brokers	0%	0%	1%	71%	100%	48%
Direct	0%	0%	1%	75%	100%	28%
Reinsurance Receivables	0%	0%	0%	0%	92%	47%
Total	**0%**	**0%**	**1%**	**73%**	**97%**	**42%**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

Company

Total exposure as at December 2019

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	26,376	18,898	10,103	32,011	59,792	147,180
Brokers	408,961	(7,034)	47,702	89,620	144,958	684,207
Direct	17,073	8,786	7,638	28,600	24,452	86,549
TLAs	1,378	272	(25)	(62)	(647)	916
TGA	90	194	(1)	-	-	283
Travel	37	(286)	113	204	294	362
Receivables arising out of direct insurance arrangements	**453,915**	**20,830**	**65,530**	**150,373**	**228,849**	**919,497**
Reinsurance Receivables	9,095	52,572	(46,735)	3,178	218,820	236,930
Total	**463,010**	**73,402**	**18,795**	**153,551**	**447,669**	**1,156,427**

Total impairment as at December 2019

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	1	7	36	26,088	59,792	85,924
Brokers	371	(18)	447	73,791	145,343	219,934
Direct	7	19	104	24,215	24,452	48,797
TLAs	-	-	-	-	-	-
TGA	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Receivables arising out of direct insurance arrangements	**379**	**8**	**587**	**124,094**	**229,587**	**354,655**
Reinsurance Receivables	3	61	(200)	(331)	147,198	146,731
Total	**382**	**69**	**387**	**123,763**	**376,785**	**501,386**

Loss Rates

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	-	-	-	81%	100%	58%
Brokers	-	-	1%	82%	100%	32%
Direct	-	-	1%	85%	100%	56%
TLAs	-	-	-	-	-	-
TGA	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Facultative Receivables	-	-	-	(10%)	67%	62%
Total	**-**	**-**	**2%**	**80%**	**84%**	**43%**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

In determining the expected credit losses for these assets the Group has taken into account the historical default experience, the financial position of the counterparties, financial analysts reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occuring within their respective loss assesment time horizon, as well as the loss upon default in each case. In the case of equity investments classified at fair value through profit or loss, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

GROUP	Carrying Amount Ksh'000	Provision for Impairment Ksh'000	Total Ksh'000
31 December 2020			
Receivables arising out of direct insurance arrangements	848,091	(342,974)	505,117
Receivables arising out reinsurance arrangements	335,603	(141,586)	194,017
Debt securities at amortised cost	4,736,729	(8,564)	4,728,165
Debt securities at fair value through other comprehensive income	615,822	-	615,822
Corporate bonds at amortised cost	96,744	(426)	96,318
Deposits with financial institutions at amortised cost	686,944	(4,340)	682,604
Kenya Motor Insurance Pool	75,943	(76)	75,867
Other receivables	285,810	(48,425)	237,385
Cash and bank balances	84,375	(284)	84,091
	7,766,061	**(546,675)**	**7,219,386**
31 December 2019			
Receivable arising out of direct insurance arrangements	931,053	(362,752)	568,301
Receivable arising out of reinsurance arrangements	278,812	(160,914)	117,898
Debt securities at amortised cost	4,283,591	(8,206)	4,275,385
Debt securities at fair value through other comprehensive income	651,275	-	651,275
Corporate bonds at amortised cost	141,128	(990)	140,138
Corporate bonds at fair value through profit or loss	16,694	-	16,694
Deposits with financial institutions at amortised cost	588,714	(5,051)	583,663
Kenya Motor Insurance Pool	74,766	(75)	74,691
Other receivables	261,037	(9,181)	251,856
Cash and bank balances	39,427	(128)	39,299
	7,266,497	**(547,297)**	**6,719,200**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

COMPANY	Carrying Amount Ksh'000	Provision for Impairment Ksh'000	Total Ksh'000
31 December 2020			
Receivables arising out of direct insurance arrangements	843,442	(341,069)	502,373
Receivables arising out reinsurance arrangements	277,884	(130,701)	147,183
Debt securities at amortised cost	4,630,438	(8,458)	4,621,980
Debt securities at fair value through other comprehensive income	615,822	-	615,822
Corporate bonds at amortised cost	96,744	(426)	96,318
Deposits with financial institutions at amortised cost	430,050	(3,154)	426,896
Kenya Motor Insurance Pool	75,943	(76)	75,867
Other receivables	250,328	(39,509)	210,819
Cash and bank balances	56,729	(284)	56,445
	7,277,380	**(523,677)**	**6,753,703**
31 December 2019			
Receivable arising out of direct insurance arrangements	919,497	(354,655)	564,842
Receivable arising out of reinsurance arrangements	236,930	(146,731)	90,199
Debt securities held to maturity	4,189,559	(8,112)	4,181,447
Debt securities at fair value through other comprehensive income	651,275	-	651,275
Corporate bonds at amortised cost	141,128	(990)	140,138
Corporate bonds at fair value through profit or loss	16,694	-	16,694
Deposits with financial institutions held to maturity	390,572	(4,262)	386,310
Kenya Motor Insurance Pool	74,766	(75)	74,691
Other receivables	236,640	-	236,640
Cash and bank balances	21,907	(128)	21,779
	6,878,968	**(514,953)**	**6,364,015**

Please refer to Note 11(c) for movements in expected credit losses.

Credit risk – Increase/decrease of ECL rate by 5%

If the ECL rates on trade receivables had been 5% higher (lower) as of 31 December 2020, the loss allowance on trade receivables for the Group and Company would have been Ksh 27,334,000 and Ksh 26,184,000 higher (lower). (2019 - Ksh 27,365,000 and Ksh 25,748,000 for the Group and Company respectively).

(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.

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) 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 2020	0-1 year Kshs'000	1-3 years Kshs'000	3-5 years Kshs'000	>5 years Kshs'000	Total Kshs'000
Assets					
Debt Securities at amortised cost	1,003,063	2,051,998	1,885,709	3,723,859	8,664,629
Debt securities at fair value through other comprehensive income	-	-	-	615,822	615,822
Corporate bonds at amortised cost	34,236	75,923	-	-	110,159
Deposits with financial institutions	682,604	-	-	-	682,604
Receivables arising out of reinsurance arrangements	165,400	11,447	11,447	5,723	194,017
Reinsurers' share of technical provisions and reserves	2,555,301	439,579	3,143	-78	2,997,945
Receivables arising out of direct insurance arrangements	118,885	178,265	178,278	29,689	505,117
Cash and bank balances	84,091	-	-	-	84,091
Other receivables	237,385	-	-	-	237,385
Total assets	**4,880,965**	**2,757,212**	**2,078,577**	**4,375,015**	**14,091,769**
Outstanding claims provision	3,627,530	812,747	-	-	4,440,277
Payables arising from reinsurance arrangements	28,608	143,468	138,012	66,752	376,840
Lease liability	98,183	194,462	210,470	247,930	751,045
Other payables	449,556	-	-	-	449,556
Total liabilities	**4,203,877**	**1,150,677**	**348,482**	**314,682**	**6,017,718**
Liquidity gap	**677,088**	**1,606,535**	**1,730,095**	**4,060,333**	**8,074,051**

31 December 2019	0-1 year Kshs'000	1-3 years Kshs'000	3-5 years Kshs'000	>5 years Kshs'000	Total Kshs'000
Assets					
Debt Securities at amortised cost	670,572	1,496,903	1,483,338	3,784,055	7,434,868
Debt securities at fair value through other comprehensive income	-	-	-	651,275	651,275
Corporate bonds at amortised cost	53,549	137,267	-	-	190,816
Deposits with financial institutions	583,663	-	-	-	583,663
Receivables arising out of reinsurance arrangements	95,216	8,069	8,069	6,543	117,897
Reinsurers' share of technical provisions and reserves	1,848,030	509,430	5,770	5	2,363,235
Receivables arising out of direct insurance arrangements	138,091	199,010	199,010	32,189	568,300
Cash and bank balances	39,299	-	-	-	39,299
Other receivables	251,856	-	-	-	251,856
Total assets	**3,680,276**	**2,350,679**	**1,696,187**	**4,474,067**	**12,201,209**
Outstanding claims provision	2,968,280	1,106,923	-	-	4,075,203
Payables arising from reinsurance arrangements	(115,151)	336,527	125,916	60,050	407,342
Lease liability	127,905	273,283	295,178	226,154	922,520
Other payables	405,069	-	-	-	405,069
Total liabilities	**3,386,103**	**1,716,733**	**421,094**	**286,204**	**5,810,134**
Liquidity gap	**294,173**	**633,946**	**1,275,093**	**4,187,863**	**6,391,075**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(c) Liquidity risk (continued)

COMPANY

31 December 2020	0-1 year Kshs'000	1-3 years Kshs'000	3-5 years Kshs'000	>5 years Kshs'000	Total Kshs'000
Assets					
Debt Securities at amortised cost	989,397	2,024,665	1,858,376	3,595,844	8,468,282
Debt securities at fair value through other comprehensive income	-	-	-	615,822	615,822
Corporate bonds at amortised cost	34,236	75,923	-	-	110,159
Deposits with financial institutions	426,896	-	-	-	426,896
Receivables arising out of reinsurance arrangements	147,183	-	-	-	147,183
Reinsurers' share of technical provisions and reserves	2,133,440	438,806	3,143	(78)	2,575,311
Receivables arising out of direct insurance arrangements	118,247	177,300	177,300	29,526	502,373
Cash and bank balances	56,445	-	-	-	56,445
Other receivables	210,819	-	-	-	210,819
Total assets	**4,116,663**	**2,716,694**	**2,038,819**	**4,241,114**	**13,113,290**
Outstanding claims provision	3,214,199	811,268	-	-	4,025,467
Payables arising from reinsurance arrangements	(35,406)	126,234	126,234	63,116	280,178
Lease liability	87,510	192,685	209,447	247,930	737,572
Other payables	396,463	-	-	-	396,463
Total liabilities	**3,662,766**	**1,130,187**	**335,681**	**311,046**	**5,439,680**
Liquidity gap	**453,897**	**1,586,507**	**1,703,138**	**3,930,068**	**7,673,610**

31 December 2019	0-1 year Kshs'000	1-3 years Kshs'000	3-5 years Kshs'000	>5 years Kshs'000	Total Kshs'000
Assets					
Debt Securities at amortised cost	633,241	1,479,622	1,466,057	4,392,128	7,971,048
Debt securities at fair value through other comprehensive income	-	-	-	651,275	651,275
Corporate bonds at amortised cost	53,549	137,267	-	-	190,816
Deposits with financial institutions	386,310	-	-	-	386,310
Receivables arising out of reinsurance arrangements	90,199	-	-	-	90,199
Reinsurers' share of technical provisions and reserves	1,631,627	508,734	5,770	5	2,146,136
Receivables arising out of direct insurance arrangements	134,632	199,010	199,010	32,189	564,841
Cash and bank balances	21,779	-	-	-	21,779
Other receivables	236,640	-	-	-	236,640
Total assets	**3,187,977**	**2,324,633**	**1,670,837**	**5,075,597**	**12,259,044**
Outstanding claims provision	2,746,348	1,106,923	-	-	3,853,271
Payables arising from reinsurance arrangements	50,764	115,961	115,961	57,980	340,666
Lease liability	119,423	261,973	293,629	226,154	901,179
Other payables	351,550	-	-	-	351,550
Total liabilities	**3,268,085**	**1,484,857**	**409,590**	**284,134**	**5,446,666**
Liquidity gap	**(80,108)**	**839,776**	**1,261,247**	**4,791,463**	**6,812,378**

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

The Group and Company does not maintain cash resources to meet all of the liability needs. The Board sets limits on the minimum proportion of funds available to meet any unexpected levels of liability payments.

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"), and Dar es Salaam Securities ("DSE") equity investments and government bonds classified at fair value through profit or loss and fair value through other comprehensive income.

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 and non-financial assets and liabilities measured at fair value at 31 December 2020 and 31 December 2019.

GROUP

31 December 2020	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
- Equity securities at fair value through profit or loss	1,008,252	-	-	1,008,252
- Equity securities at fair value through other comprehensive income	-	-	7,493	7,493
- Debt securities at fair value through other comprehensive income	615,822	-	-	615,822
- Investment Property	-	-	2,710,000	2,710,000
	1,624,074	**-**	**2,717,493**	**4,341,567**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(d) Fair value hierarchy (continued)

GROUP

31 December 2019	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
- Equity securities at fair value through profit or loss	1,098,510	-	-	1,098,510
- Equity securities at fair value through other comprehensive income	6,354	-	-	6,354
- Debt securities at fair value through other comprehensive income	651,275	-	-	651,275
- Investment Property	-	-	2,765,000	2,765,000
- Corporate Bonds at fair value through profit or loss	16,694	-	-	16,694
	1,772,833	**-**	**2,765,000**	**4,537,833**

COMPANY

31 December 2020	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
- Equity securities at fair value through profit or loss	911,629	-	-	911,629
- Debt securities at fair value through other comprehensive income	615,822	-	-	615,822
- Investment Property	-	-	2,710,000	2,710,000
	1,527,451	**-**	**2,710,000**	**4,237,451**

31 December 2019	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
- Equity securities at fair value through profit or loss	1,012,036	-	-	1,012,036
- Debt securities at fair value through other comprehensive income	651,275	-	-	651,275
- Investment Property	-	-	2,765,000	2,765,000
- Corporate Bonds at fair value through profit or loss	16,694	-	-	16,694
	1,680,005	**-**	**2,765,000**	**4,445,005**

There were no transfers between levels 1, 2 and 3 during the year.

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	99,238

Both companies are in compliance with the capital requirements as at 31 December 2020.

The solvency margin of the Company as at 31 December 2020 and 2019 is illustrated below.

Kenya

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

	2020 Ksh'000	2019 Ksh'000
Total Capital Available	4,574,664	3,912,681
Minimum Required Capital	1,609,720	1,633,762
Capital Adequacy Ratio	284%	239%

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(iii) Capital risk management (continued)

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 31 December, 2012, one billion five hundred Million Tanzania Shillings, as the base;
- 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.

	2020 Tsh'000	2019 Tsh'000
Paid up capital	2,657,342	2,657,342

5 (a) GROSS WRITTEN PREMIUMS

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Motor	2,145,812	1,927,316	1,861,470	1,791,705
Fire	1,233,483	1,206,781	1,058,621	1,076,650
Aviation and Marine	1,674,392	1,415,986	1,613,109	1,387,618
Other	1,024,803	932,577	999,387	899,511
Theft	285,366	323,582	239,436	287,903
Personal accident	156,648	232,261	148,575	223,300
Engineering	157,106	215,330	136,796	189,125
	6,677,610	**6,253,833**	**6,057,394**	**5,855,812**

5 (b) GROSS EARNED PREMIUMS

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Motor	2,080,117	1,757,924	1,864,580	1,642,035
Fire	1,278,241	1,148,638	1,117,139	1,024,532
Aviation and Marine	1,516,204	1,525,608	1,451,115	1,501,700
Other	1,003,364	891,539	977,868	868,512
Theft	303,374	286,915	259,029	250,782
Personal accident	174,675	225,020	164,985	216,390
Engineering	179,065	198,981	153,681	174,266
	6,535,040	**6,034,625**	**5,988,397**	**5,678,217**

5 (c) REINSURANCE PREMIUMS CEDED

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Motor	94,700	146,253	37,757	125,602
Fire	969,972	856,697	842,864	756,961
Aviation and Marine	1,389,601	1,400,873	1,336,503	1,384,467
Other	401,069	274,810	383,940	257,430
Theft	80,832	77,499	58,657	62,456
Personal accident	85,370	152,829	79,165	148,878
Engineering	112,211	120,069	93,274	101,442
	3,133,755	**3,029,030**	**2,832,160**	**2,837,236**

6 COMMISSIONS INCOME

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Commissions receivable	480,096	480,099	396,666	422,891
Add: movement in deferred reinsurance commission	5,575	(31,270)	8,960	(26,494)
Commissions earned	**485,671**	**448,829**	**405,626**	**396,397**

7 (a) INVESTMENT INCOME

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Interest on deposits with financial institutions	44,198	36,959	27,592	23,534
Interest on corporate bonds held at amortised cost	16,973	23,169	16,973	23,169
Interest on corporate bonds held at fair value through profit or loss	792	1,897	792	1,897
Interest on debt securities – amortised cost	574,522	507,552	561,232	493,866
– fair value through other comprehensive income	54,260	41,152	54,260	41,152
Total interest income	**690,745**	**610,729**	**660,849**	**583,618**
Dividends receivable on equity instruments	42,221	56,373	38,699	52,050
Rental income from investment properties	213,638	233,300	213,638	233,300
Fair value losses on investment properties (note 21)	(55,000)	(555)	(55,000)	(555)
Other income	36,400	23,983	31,609	21,101
Gain on disposal of Treasury Bonds	32,724	10,019	32,724	10,019
Loss on disposal of Corporate Bonds	(1,780)	-	(1,780)	-
(Loss)/Gain on revaluation of equity instruments (note 33(b))	(149,084)	153,662	(153,287)	164,637
Gain on revaluation of corporate bond (note 31(b))	-	1,262	-	1,262
(Loss)/Gain on disposal of equity instruments	(705)	4,925	(705)	4,925
	809,159	**1,093,698**	**766,747**	**1,070,357**

Other income largely comprises of compensation on compulsory acquisition of a small portion of Lion Place property to pave way for Nairobi Expressway construction of KShs 25 million, gain on motor pool and interest income on staff loans and advances.

7 (b) FINANCE INCOME

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Finance income on investment in sub-lease	6,838	8,070	6,838	8,070
	6,838	**8,070**	**6,838**	**8,070**

8 FOREIGN EXCHANGE GAINS/(LOSSES)

Foreign exchange 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:

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Realized gains	3,102	3,739	1,126	2,820
Unrealized gains	6,367	574	6,367	574
Net foreign exchange gains	**9,469**	**4,313**	**7,493**	**3,394**

9 CLAIMS EXPENSE

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Gross claims expense	2,409,818	1,918,451	2,076,851	1,792,735
Less: amounts recoverable from reinsurers	(851,142)	(632,477)	(596,458)	(537,351)
Net claims expense	**1,558,676**	**1,285,974**	**1,480,393**	**1,255,384**

Analysis of net claims expense per class is as shown below

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Motor	1,044,887	929,743	991,430	907,936
Fire	165,584	69,329	149,082	57,794
Aviation and Marine	62,956	21,407	58,393	21,471
Other	207,758	189,874	206,484	191,347
Theft	31,225	3,772	31,306	3,067
Personal accident	21,373	38,132	22,686	41,099
Engineering	24,893	33,717	21,012	32,670
Net claims expense	**1,558,676**	**1,285,974**	**1,480,393**	**1,255,384**

10 COMMISSIONS EXPENSE

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Commissions payable	685,377	673,318	584,041	607,959
Change in deferred acquisition costs	4,712	(51,198)	17,038	(43,537)
Commissions expense	**690,089**	**622,120**	**601,079**	**564,422**

11 (a) OPERATING AND OTHER EXPENSES

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Employee benefit expense (note 12)	756,028	783,143	673,098	710,478
Investment expenses	35,328	42,458	31,031	37,565
Depreciation on property and equipment (note 18)	37,987	40,144	34,907	36,955
Depreciation on right-of-use asset IFRS 16 (note 19)	43,129	61,647	33,066	52,292
Variable lease payment not included in lease liability and impact of COVID-19 rent concessions	17,200	13,503	17,198	13,494
Repairs and maintenance	16,092	13,681	15,424	13,123
Branding and marketing expenses	21,507	29,937	21,507	29,937
Professional and consultancy fees	47,500	26,830	25,581	16,660
Levies	73,694	70,752	66,257	63,312
Auditors' renumeration	6,601	6,219	3,964	4,002
Directors' emoluments				
- fees for services as directors	8,376	7,687	4,560	2,515
Amortisation of intangible assets (note 17)	6,909	8,591	6,363	8,135
Recruitment fees	28	1,318	28	1,301
Training fee	4,165	14,995	3,688	14,228
Electricity and water	5,538	6,213	4,317	4,912
Entertainment	3,348	4,434	1,833	3,639
Motor vehicle expenses	6,121	5,799	4,013	3,932
Printing and stationery	17,041	16,242	14,131	14,587
Postage and telephone	17,460	17,677	12,331	13,595
Travelling	7,853	20,984	5,737	13,357
Bank charges	6,823	6,796	5,640	5,649
Subscriptions	4,607	4,260	4,584	3,644
Donations	5,438	920	5,438	915
Books, newspapers, magazines & periodicals	1,118	2,317	1,002	1,293
Share of motor pool expenses	1,322	1,611	1,322	1,611
Business development marketing expenses	88,458	94,486	88,458	94,486
Software expenses	27,688	30,052	25,820	28,531
IT expenses	10,172	9,804	9,900	9,192
Insurance	40,416	33,221	39,602	32,027
Security	3,244	4,063	3,244	4,063
Cleaning	4,670	5,427	3,907	4,911
Other expenses	30,188	27,984	7,896	6,506
Operating and other expenses	**1,356,049**	**1,413,195**	**1,175,847**	**1,250,847**

11 (b) FINANCE COST

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Interest on lease liabilities	56,396	75,453	55,145	73,510
	56,396	**75,453**	**55,145**	**73,510**

11 (c) IMPAIRMENT OF FINANCIAL ASSETS

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Impairment (write back)/charge on receivables arising out of reinsurance arrangements	(20,184)	54,758	(16,030)	64,569
Impairment charge/(write back) on receivables arising out of direct insurance arrangements	61,183	(4,042)	59,564	(9,687)
Total impairment charge on receivables (Note 29(b))	**40,999**	**50,716**	**43,534**	**54,882**
Impairment charge on investment and other assets	37,901	8,728	38,340	6,482
	78,900	**59,444**	**81,874**	**61,364**

Movement in expected credit losses

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 1 January	547,297	493,572	514,953	453,589
Charge for the year	78,900	59,444	81,874	61,364
Write-off	(81,548)	(5,559)	(73,150)	-
Exchange difference	2,026	(160)	-	-
	546,675	**547,297**	**523,677**	**514,953**

12 EMPLOYEE BENEFIT EXPENSES

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Employee costs				
Salaries and benefits	661,925	681,717	595,065	622,890
Defined contribution retirement schemes				
- Group pension fund	47,394	45,766	47,394	45,766
- National Social Security Fund	6,823	6,191	264	500
Medical	26,554	32,506	22,093	28,302
Staff welfare	13,332	16,963	8,282	13,020
	756,028	**783,143**	**673,098**	**710,478**
The average number of employees during the year was as follows:				
- Business Development	61	64	52	52
- Operations	71	88	54	73
- Management and administration	82	63	69	52
	214	**215**	**175**	**177**

13 INCOME TAX EXPENSE

a) Tax expense

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Current income tax expense	253,870	278,891	250,188	278,891
Prior year curent tax under-provision	57,285	-	57,285	-
Total current year tax expense	**311,155**	**278,891**	**307,473**	**278,891**
Charge relating to tax assement	**12,486**	**-**	**12,486**	**-**
Deferred income tax credit (Note 26(b))	(10,105)	(59,866)	(20,498)	(58,883)
Prior year deferred tax over-provision	(23,745)	(658)	(23,745)	(658)
Total deferred tax expense	**(33,850)**	**(60,524)**	**(44,243)**	**(59,541)**
	289,791	**218,367**	**275,716**	**219,350**

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.
During the year the Company's tax rate reduced to 25% as part of tax amendments by the government to cushion businesses following the impact of COVID-19.

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Profit before income tax	972,312	1,104,319	948,603	1,113,672
Tax calculated at a rate of 25% at Company and 30% at Subsidiary (2019:30%)	244,263	331,296	237,151	334,102
Tax effect of:				
- Income not subject to tax	(56,873)	(131,399)	(55,816)	(127,097)
- Income subject to lower tax rate (alternative minimum tax)	3,682	-	-	-
- Expenses not deductible for tax purposes	49,277	19,128	44,939	13,003
Charge relating to tax assement	12,486	-	12,486	-
Prior year curent tax under-provision	57,285	-	57,285	-
Prior year deferred tax over-provision	(23,745)	(658)	(23,745)	(658)
Impact on use of 30% on the tax rate for deferred tax	3,416	-	3,416	-
	289,791	**218,367**	**275,716**	**219,350**

c) Tax movement

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 1 January	3,401	(75,527)	26,454	(55,260)
Current taxation expense	311,155	278,891	307,473	278,891
Charge relating to tax assement	12,486	-	12,486	-
Tax paid	(319,410)	(200,045)	(315,466)	(197,177)
Exchange difference on translation	(1,564)	82	-	-
At 31 December	**6,068**	**3,401**	**30,947**	**26,454**

d) Analysed as follows:

Current tax recoverable	(24,879)	(23,053)	-	-
Current tax payable	30,947	26,454	30,947	26,454
	6,068	**3,401**	**30,947**	**26,454**

14 PROFIT FOR THE YEAR

A profit of Ksh 672,887,000 (2019: Ksh 894,322,000) 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	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Profit attributable to ordinary shareholders (Ksh'000)	677,994	889,886	672,887	894,322
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)	**13.56**	**17.80**	**13.46**	**17.89**

There were no potentially dilutive shares outstanding at 31 December 2020 or 31 December 2019. Diluted earnings per share are therefore the same as basic earnings per share.

16 DIVIDENDS

Ksh 50,000,000 interim dividend (2019: 50,000,000) was paid in the year. At the annual general meeting, a final dividend in respect of 2020 of Kshs 3 per share amounting to Kshs 150,000,000 (2019: Ksh 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 2020 will therefore be Ksh 4.00 per share (2019: Ksh 4.00 per share) amounting to a total of Ksh 200,000,000 (2019: Ksh 200,000,000).

17 INTANGIBLE ASSETS – COMPUTER SOFTWARE

(a) GROUP

	2020 Computer Software Ksh'000	2020 Work in progress Ksh'000	2020 Total Ksh'000	2019 Computer Software Ksh'000	2019 Work in progress Ksh'000	2019 Total Ksh'000
Cost						
At 1 January	124,985	2,180	127,165	123,331	-	123,331
Additions	4,793	6,080	10,873	2,762	2,180	4,942
Disposals	-	-	-	(1,087)	-	(1,087)
Exchange difference	916	-	916	(21)	-	(21)
At 31 December	**130,694**	**8,260**	**138,954**	**124,985**	**2,180**	**127,165**
Amortisation						
At 1 January	116,896	-	116,896	109,411	-	109,411
Charge for the year	6,909	-	6,909	8,591	-	8,591
On Disposals	-	-	-	(1,087)	-	(1,087)
Exchange difference	897	-	897	(19)	-	(19)
At 31 December	**124,702**	**-**	**124,702**	**116,896**	**-**	**116,896**
Net book value						
At 31 December	**5,992**	**8,260**	**14,252**	**8,089**	**2,180**	**10,269**

Work in progress represents costs incurred towards development of an operations software.

17 INTANGIBLE ASSETS – COMPUTER SOFTWARE (continued)

(b) COMPANY	2020 Computer Software Ksh'000	2020 Work in progress Ksh'000	2020 Total Ksh'000	2019 Computer Software Ksh'000	2019 Work in progress Ksh'000	2019 Total Ksh'000
Cost						
At 1 January	122,872	2,180	125,052	121,224	-	121,224
Additions	3,661	6,080	9,741	2,735	2,180	4,915
Disposals	-	-	-	(1,087)	-	(1,087)
At 31 December	**126,533**	**8,260**	**134,793**	**122,872**	**2,180**	**125,052**
Amortisation						
At 1 January	115,254	-	115,254	108,206	-	108,206
Charge for the year	6,363	-	6,363	8,135	-	8,135
On Disposals	-	-	-	(1,087)	-	(1,087)
At 31 December	**121,617**	**-**	**121,617**	**115,254**	**-**	**115,254**
Net book value						
At 31 December	**4,916**	**8,260**	**13,176**	**7,618**	**2,180**	**9,798**

Work in progress represents costs incurred towards development of an operations software.

18 PROPERTY AND EQUIPMENT

(a) GROUP

Cost	Motor vehicles Ksh'000	Computer equipment Ksh'000	Furniture fittings and office equipment Ksh'000	Total Ksh'000
At 1 January 2019	**60,960**	**87,732**	**293,074**	**441,766**
Additions	1,217	9,243	10,428	20,888
Disposal	(1,687)	(2,686)	(25,801)	(30,174)
Exchange difference on translation	(600)	(248)	(331)	(1,179)
At 31 December 2019	**59,890**	**94,041**	**277,370**	**431,301**
At 1 January 2020	59,890	94,043	277,368	431,301
Additions	95	27,400	4,971	32,466
Disposals	(10,738)	(500)	(943)	(12,181)
Exchange difference on translation	1,387	572	1,285	3,244
At 31 December 2020	**50,634**	**121,515**	**282,681**	**454,830**
Depreciation				
At 1 January 2019	59,471	72,671	213,526	345,668
Charge for the year	1,164	9,321	29,659	40,144
Elimination on disposal	(1,691)	(2,519)	(25,799)	(30,009)
Exchange difference on translation	(646)	(266)	(236)	(1,148)
At 31 December 2019	**58,298**	**79,207**	**217,150**	**354,655**
At 1 January 2020	58,298	79,207	217,150	354,655
Charge for the year	887	11,336	25,764	37,987
Elimination on disposal	(10,690)	(222)	(603)	(11,515)
Exchange difference on translation	1,254	523	1,017	2,794
At 31 December 2020	**49,749**	**90,844**	**243,328**	**383,921**
Net book value				
At 31 December 2020	**885**	**30,671**	**39,353**	**70,909**
At 31 December 2019	**1,592**	**14,834**	**60,220**	**76,646**

Fully depreciated assets at 31 December 2020 amounted to Ksh 225,259,756 (2019 – Ksh 350,801,570). The notional annual depreciation on these assets would have been Ksh 48,825,342 (2019 – Ksh 66,173,966).

None of the Group's property and equipment has been pledged as security for borrowings.

18 PROPERTY AND EQUIPMENT (continued)

(b) COMPANY

	Motor vehicles Ksh'000	Computer equipment Ksh'000	Furniture fittings and office equipment Ksh'000	Total Ksh'000
Cost				
At 1 January 2019	48,006	81,619	279,023	408,648
Additions	-	8,444	9,400	17,844
Disposals	-	(1,046)	(25,743)	(26,789)
At 31 December 2019	**48,006**	**89,017**	**262,680**	**399,703**
At 1 January 2020	48,006	89,017	262,680	399,703
Additions	-	26,637	3,090	29,727
Disposals	(8,727)	(459)	-	(9,186)
At 31 December 2020	**39,279**	**115,195**	**265,770**	**420,244**
Depreciation				
At 1 January 2019	**48,006**	**67,216**	**204,535**	**319,757**
Charge for the year	-	8,905	28,050	36,955
Disposals	-	(1,046)	(25,741)	(26,787)
At 31 December 2019	**48,006**	**75,075**	**206,844**	**329,925**
At 1 January 2020	**48,006**	**75,075**	**206,844**	**329,925**
Charge for the year	-	10,878	24,029	34,907
Disposals	(8,727)	(183)	-	(8,910)
At 31 December 2020	**39,279**	**85,770**	**230,873**	**355,922**
Net book value				
At 31 December 2020	**-**	**29,425**	**34,897**	**64,322**
At 31 December 2019	**-**	**13,942**	**55,835**	**69,777**

Fully depreciated assets at 31 December 2020 amounted to Ksh 204,392,655 (2019: Ksh 329,221,487). The notional annual depreciation on these assets would have been Ksh 44,786,804 (2019: Ksh 61,462,475).

None of the Company's assets has been pledged as security for borrowings.

19 RIGHT-OF-USE ASSET

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Cost				
At 1 January	425,507	-	396,155	-
Day one adjustment	-	397,952	-	368,600
Additions during the year	-	27,555	-	27,555
Lease modification	(84,690)	-	(84,690)	-
De-recognition of right of use asset	(20,744)	-	(20,744)	-
Exchange difference	2,688	-	-	-
At 31 December	**322,761**	**425,507**	**290,721**	**396,155**
Amortisation				
At 1 January	61,627	-	52,292	-
Charge for the year	43,129	61,647	33,066	52,292
Exchange difference	(1,106)	(20)	-	-
At 31 December	**103,650**	**61,627**	**85,358**	**52,292**
Net book value	**219,111**	**363,880**	**205,363**	**343,863**

The Group and Company leases various office premises. The average lease term is five years.

The lease modification relates to change of terms with respect to head office lease effective 1 January 2020.

De-recognition during the year represent surrendered leases and de-recognition of the Value Added Tax (VAT) that has been excluded from cash flows as it is not a lease payment. VAT for the lease payment has been included under variable lease payments in profit or loss.

The maturity analysis of the lease liabilities is presented in note 40.

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Amortisation expense on right-of-use assets	43,129	61,647	33,066	52,292
Interest expense on lease liabilities	56,396	75,453	55,145	73,510
Variable lease payment not included in the measurement of the lease liability	18,105	13,503	18,103	13,494
Impact of COVID-19 rent concessions	(905)	-	(905)	-
Total variable lease payment and impact of COVID-19 rent concessions	**17,200**	**13,503**	**17,198**	**13,494**
Income from investment in sub-lease	6,838	8,070	6,838	8,070

The Group and Company makes payments in relation to service charge on its leased properties. These amounts are not included in the calculation of the lease liability as the actual cost to the group depends on the actual expenses incurred which varies from time to time. The Group and Company has no restrictions or covenants imposed by its leases, neither are there arranged sale and leaseback transactions.

The Company has determined the threshold for low values leases as Ksh 1,000,000.

20 INVESTMENT IN SUBSIDIARIES

COMPANY	Beneficial ownership	Country of incorporation	2020 Sh'000	2019 Sh'000
At cost				
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.

Impairment testing

During the year, an impairment test was carried out on the investment in subsidiary and it was concluded that the investment in not impaired.

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within Tanzania. The supervisory frameworks require the subsidiary to keep certain solvency levels and comply with other ratios.

Set out below is the summarised financial information for the subsidiary

Summarised statement of financial position	2020 Ksh'000	2019 Ksh'000
Total assets	1,105,210	776,148
Total liabilities	(856,773)	(553,142)
Net assets	**248,437**	**223,006**

20 INVESTMENT IN SUBSIDIARIES (continued)

	2020 Ksh'000	2019 Ksh'000
Summarised statement of comprehensive income		
Gross earned premiums	546,643	356,408
Underwriting loss	(15,428)	(28,721)
Profit/(Loss) before income tax	**23,706**	**(9,355)**
Income tax (charge)/credit	(14,075)	984
Other comprehensive income	485	97
Total comprehensive income /(loss)	**10,116**	**(8,274)**
Total comprehensive income allocated to non-controlling interests	**4,754**	**(3,888)**
Summarised cash flows		
Net cash generated from operating activities	74,118	27,002
Net cash used in investing activities	(42,235)	(39,197)
Net cash used in financing activities	(11,269)	(12,843)
Net increase/(decrease) in cash and cash equivalents	**20,614**	**(25,038)**
Cash and cash equivalents at beginning of year	60,253	85,647
Exchange gain on cash and cash equivalents	4,073	(356)
Cash and cash equivalents at end of year	**84,940**	**60,253**

21 INVESTMENT PROPERTIES

GROUP AND COMPANY

	2020 Ksh'000	2019 Ksh'000
At 1 January	2,765,000	2,750,000
Additions	-	15,555
Fair value loss	(55,000)	(555)
At 31 December	**2,710,000**	**2,765,000**

The investment properties were last revalued at 31 December 2020 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 213,638,000 (2019: Ksh 233,300,000). Expenses relating to investment property amounted to Ksh 31,031,000 (2019: Ksh 37,565,000).

The additions during the prior year represent costs incurred in construction of a wall on one of the investment properties.

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.

22 OTHER RECEIVABLES

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Staff receivables	42,374	33,536	30,939	26,595
Sundry receivables	89,266	93,335	86,084	93,932
Rental receivables	64,500	98,978	64,500	98,978
Prepayments	26,960	11,867	15,011	2,995
Due from related parties (Note 50)	14,285	14,140	14,285	14,140
	237,385	**251,856**	**210,819**	**236,640**

Please refer to note 4(b) and 11(c) for expected credit losses on other receivables.

23 DUE FROM SUBSIDIARY COMPANY

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Due from ICEA LION Tanzania	-	-	1,878	6,078

The balance due from the subsidiary company is non-interest bearing and is repayable within 3 months.

24 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	
	2020 Ksh'000	2019 Ksh'000
At 1 January	74,691	93,901
Proceeds from Kenya Motor Pool	-	(28,992)
Net increase in the group's share of net assets of the pool	1,177	9,857
Impairment charge	(1)	(75)
At 31 December	**75,867**	**74,691**

25 INVESTMENT IN SUB-LEASE

	2020 Ksh'000	2019 Ksh'000
Investment in sub-lease	55,298	65,988

26 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.

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
(a) The deferred income tax liability/asset is attributable to the following items:				
Deferred tax liability:				
Revaluation surplus - Investment properties at 30%	527,777	544,278	527,777	544,278
Unrealised exchange gain	3,681	2,311	3,681	880
	531,458	**546,589**	**531,458**	**545,158**
Deferred tax assets:				
Excess depreciation over capital allowances	(24,270)	(19,833)	(24,060)	(19,729)
Provisions	(193,498)	(169,270)	(182,335)	(155,914)
Unrealised exchange losses	(4,040)	(2,848)	(1,771)	(723)
Unrealised tax losses	(9,642)	(16,380)	-	-
Lease liability and right-of-use asset	(55,831)	(57,109)	(55,852)	(57,109)
Fair value losses on other comprehensive income	(10,664)	(8,543)	(9,116)	(5,664)
	(297,945)	**(273,983)**	**(273,134)**	**(239,139)**
Net deferred tax liability	**233,513**	**272,606**	**258,324**	**306,019**
(b) Movement in deferred tax income liability/asset is as follows:				
At 1 January	**272,606**	**390,727**	**306,019**	**423,484**
Income statement (credit)/charge	(10,105)	(59,866)	(20,498)	(58,883)
Prior year deferred tax over-provision	(23,745)	(658)	(23,745)	(658)
Total deferred tax credit to profit or loss	**(33,850)**	**(60,524)**	**(44,243)**	**(59,541)**
Day 1 IFRS 16 adjustment	-	(52,509)	-	(52,260)
Deferred tax on other comprehensive income that may subsequently be classified to profit or loss	(3,452)	(5,664)	(3,452)	(5,664)
Deferred tax on other comprehensive income that may not subsequently be classified to profit or loss	208	42	-	-
Exchange difference on translation	(1,999)	534	-	-
At 31 December	**233,513**	**272,606**	**258,324**	**306,019**
(c) Analysis of the year-end balance is as follows:				
Deferred taxation assets	(24,811)	(33,413)	-	-
Deferred taxation liabilities	258,324	306,019	258,324	306,019
At 31 December	**233,513**	**272,606**	**258,324**	**306,019**

27 DEFERRED ACQUISITION COSTS

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 1 January	264,017	212,918	236,805	193,268
Net (decrease)/increase in the year	(2,573)	51,099	(17,038)	43,537
At 31 December	**261,444**	**264,017**	**219,767**	**236,805**

28 REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Reinsurers' share of				
- unearned premiums	1,334,867	1,188,648	1,240,145	1,111,928
- outstanding claims	1,466,171	1,000,065	1,192,911	872,620
- incurred but not reported	196,907	174,523	142,255	161,588
	2,997,945	**2,363,236**	**2,575,311**	**2,146,136**

29(a) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

The approved credit period with respect to the Company for corporate accounts is 60 days while for direct and retail accounts is 30 days. The subsidiary operates on a cash and carry basis. Before accepting any new customer, the group assesses the customer's credit quality and defines credit limits for that specific customer. The concentration of credit risk arises from commercial lines business which contributes over 80% of the total gross written premium.

GROUP	Fully performing Ksh'000	Impaired Ksh'000	Total Ksh'000
31 December 2020			
Receivable arising out of direct insurance arrangements	505,117	342,974	848,091
Provision for impairment	-	(342,974)	(342,974)
	505,117	**-**	**505,117**
31 December 2019			
Receivable arising out of direct insurance arrangements	568,301	362,752	931,053
Provision for impairment	-	(362,752)	(362,752)
	568,301	**-**	**568,301**
COMPANY			
31 December 2020			
Receivable arising out of direct insurance arrangements	502,373	341,069	843,442
Provision for impairment		(341,069)	(341,069)
	502,373	**-**	**502,373**
31 December 2019			
Receivable arising out of direct insurance arrangements	564,842	354,655	919,497
Provision for impairment	-	(354,655)	(354,655)
	564,842	**-**	**564,842**

29(b) IMPAIRMENT MOVEMENT

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 1 January	523,666	478,634	501,386	446,504
Write off	(81,548)	(5,559)	(73,150)	-
Charge for the year (note 11c)	40,999	50,716	43,534	54,882
Exchange difference	1,443	(125)	-	-
	484,560	**523,666**	**471,770**	**501,386**
Made up of:				
Impairment on direct insurance arrangements (Note 29(a))	342,974	362,752	341,069	354,655
Impairment on receivables arising out of reinsurance arrangements (Note 30)	141,586	160,914	130,701	146,731
	484,560	**523,666**	**471,770**	**501,386**

30 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

GROUP

	Fully performing Ksh'000	Impaired Ksh'000	Total Ksh'000
31 December 2020			
Receivable arising out of reinsurance arrangements	194,017	141,586	335,603
Provision for impairment	-	(141,586)	(141,586)
	194,017	**-**	**194,017**
31 December 2019			
Receivable arising out of reinsurance arrangements	117,898	160,914	278,812
Provision for impairment	-	(160,914)	(160,914)
	117,898	**-**	**117,898**

COMPANY

31 December 2020			
Receivable arising out of reinsurance arrangements	147,183	130,701	277,884
Provision for impairment	-	(130,701)	(130,701)
	147,183	**-**	**147,183**
31 December 2019			
Receivable arising out of reinsurance arrangements	90,199	146,731	236,930
Provision for impairment	-	(146,731)	(146,731)
	90,199	**-**	**90,199**

31 (a) CORPORATE BONDS AT AMORTISED COST

	GROUP AND COMPANY 2020 Ksh'000	2019 Ksh'000
Corporate bonds maturing within:		
- 0 to 1 year	22,956	66,830
- 1 to 5 years	73,362	73,308
At 31 December	**96,318**	**140,138**

Corporate bonds movement

	2020 Ksh'000	2019 Ksh'000
At 1 January	140,138	217,070
Maturities	(47,030)	(80,399)
Accrued interest	3,210	3,467
At 31 December	**96,318**	**140,138**

Please refer to note 4(b) and 11(c) for expected credit losses on corporate bonds.

31 (b) CORPORATE BONDS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 Ksh'000	2019 Ksh'000
At 1 January	16,694	15,852
Fair value gains	-	1,262
Prior period fair value losses	-	(420)
Maturities in the period	(16,694)	-
At 31 December	**-**	**16,694**

32 (a) DEBT SECURITIES AT AMORTISED COST

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Treasury bills and bonds maturity				
- Within 3 months	198,635	-	198,635	-
- Within 4 to 12 months	170,918	218,459	170,918	188,094
- Within 1 to 5 years	1,953,375	2,745,457	1,953,375	2,745,457
- Over 5 years	2,405,237	1,311,469	2,299,052	1,247,896
	4,728,165	**4,275,385**	**4,621,980**	**4,181,447**

If the financial assets were measured at fair value, they would be disclosed at level 1 in the fair value measurement hierarchy. The fair value of these investments as at 31 December 2020 was Ksh 5,660,375,000 and Ksh 5,554,190,000 (2019: Ksh 5,456,179,000 and Ksh 5,361,817,000) at the Group and Company level respectively. Please refer to note 4(b) and note 11(c) for details of expected credit losses.

32 (b) DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP AND COMPANY	
	2020 Ksh'000	2019 Ksh'000
At 1 January	651,275	352,593
Additions	664,394	482,198
Disposals	(707,670)	(190,000)
Fair value gains	7,823	6,484
At 31 December	**615,822**	**651,275**

33(a) EQUITY SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 1 January	6,354	6,242	-	-
Fair value gains	692	140	-	-
Exchange difference on translation	447	(28)	-	-
At 31 December	**7,493**	**6,354**	**-**	**-**

33(b) EQUITY SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 1 January	1,098,510	950,705	1,012,036	852,876
Additions	56,480	32,868	56,480	32,868
Disposals	(3,600)	(38,345)	(3,600)	(38,345)
Fair value (losses)/gains	(149,084)	153,662	(153,287)	164,637
Exchange difference on translation	5,946	(380)	-	-
At 31 December	**1,008,252**	**1,098,510**	**911,629**	**1,012,036**

34(a) DEPOSITS WITH FINANCIAL INSTITUTIONS AT AMORTISED COST

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Deposits maturing:				
- Within 3 months (note 48(b))	402,154	240,080	344,861	199,532
- Beyond 3 months	284,790	347,130	85,189	189,536
- Provision for impairment	(4,340)	(3,547)	(3,154)	(2,758)
	682,604	**583,663**	**426,896**	**386,310**

34(b) CASH AND BANK BALANCES

There were no restrictions on the bank and cash balances and hence these have been diclosed as cash and cash equivalents.

35 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	
	2020 %	2019 %	2020 %	2019 %
Government securities	14.1	14.1	12.6	12.4
Corporate bonds	13.9	13.3	13.9	13.3
Deposits with financial institutions	5.9	7.6	5.0	8.3

36 SHARE CAPITAL

	Number of shares '000	Ordinary shares Ksh'000
Balance at 1 January 2019, 31 December 2019 and 31 December 2020	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.

37 RESERVES

(a) Other reserve

The reserve represents the surplus on the revaluation of financial instruments held at fair value through other comprehensive income 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.

38 NON-CONTROLLING INTEREST

	GROUP	
	2020 Ksh'000	2019 Ksh'000
At 1 January	102,445	109,248
Share of profit /(loss) for the year	4,527	(3,934)
Share of other comprehensive income	227	46
Transfer to contingency reserve	(4,313)	(2,639)
Day one adjustment on IFRS 16	-	(276)
Total at end of year	**102,886**	**102,445**

39 OTHER PAYABLES

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Accrued expenses	394,255	371,393	346,805	317,876
Due to related parties (note 50(d))	26,909	23,111	26,909	23,111
Other liabilities	105,438	81,568	99,796	81,568
	526,602	**476,072**	**473,510**	**422,555**

The carrying amount of the above other payables approximates their fair value. Other liabilities mainly comprises of bonus provision.

40 LEASE LIABILITY

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 1 January	619,496	-	600,215	-
Day one adjustment on adoption of IFRS 16	-	640,366	-	610,180
Additions during the year	-	27,555	-	27,555
Interest charge for the year (note 11(b))	56,396	75,453	55,145	73,510
Payments during the year	(96,977)	(121,838)	(88,395)	(111,030)
Lease modification*	(84,690)	-	(84,690)	-
Rent concessions	(905)	-	(905)	-
Lease de-recognition**	(34,535)	-	(34,535)	-
Exchange difference	1,335	(2,040)	-	-
At 31 December	**460,120**	**619,496**	**446,835**	**600,215**

Maturity analysis of operating lease payments:

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Year 1	98,182	127,905	87,510	119,423
Year 2	95,251	137,045	93,800	127,095
Year 3	99,212	136,238	98,886	134,878
Year 4	104,383	144,968	103,360	143,419
Year 5	106,087	150,210	106,087	150,210
Year 6 and onwards	247,930	226,154	247,930	226,154
	751,045	**922,520**	**737,573**	**901,179**

* The lease modification relates to change of terms with respect to head office lease effective 1 January 2020.

** De-recognition during the year represent surrendered leases and de-recognition of the Value Added Tax (VAT) that has been excluded from cash flows as it is not a lease payment. VAT for the lease payment has been included under variable lease payments in profit or loss.

41 DEFERRED REINSURANCE COMMISSIONS

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 1 January	167,197	136,006	146,260	119,765
Decrease in the year	(4,076)	31,191	(8,960)	26,495
At 31 December	**163,121**	**167,197**	**137,300**	**146,260**

42 UNEARNED PREMIUMS RESERVE

GROUP

	Gross Ksh'000	Reinsurance Ksh'000	Net Ksh'000
2020			
At 1 January 2020	2,582,602	(1,188,649)	1,393,953
Net increase in the year	115,699	(136,910)	(21,211)
Adjusted Unexpired Risk Reserve	39,801	(9,308)	30,493
At 31 December 2020	**2,738,102**	**(1,334,867)**	**1,403,235**
2019			
At 1 January 2019	2,302,164	(1,208,817)	1,093,347
Net increase in the year	218,604	21,079	239,683
Adjusted Unexpired Risk Reserve	61,834	(911)	60,923
At 31 December 2019	**2,582,602**	**(1,188,649)**	**1,393,953**

COMPANY

	Gross Ksh'000	Reinsurance Ksh'000	Net Ksh'000
2020			
At 1 January 2020	2,417,883	(1,111,929)	1,305,954
Net increase in the year	29,196	(118,908)	(89,712)
Adjusted Unexpired Risk Reserve	39,801	(9,308)	30,493
At 31 December 2020	**2,486,880**	**(1,240,145)**	**1,246,735**
2019			
At 1 January 2019	2,178,454	(1,151,017)	1,027,437
Net increase in the year	177,595	39,999	217,594
Adjusted Unexpired Risk Reserve	61,834	(911)	60,923
At 31 December 2019	**2,417,883**	**(1,111,929)**	**1,305,954**

43 PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 31 December	376,840	407,342	280,178	340,666

44 OUTSTANDING CLAIMS PROVISION

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
At 1 January	4,075,203	4,444,403	3,853,271	4,203,589
Claims expense and claim handling expenses	2,718,925	1,853,481	2,377,810	1,727,766
Payments for claims and claims handling expenses	(2,364,946)	(2,221,725)	(2,205,614)	(2,078,084)
Exchange difference on translation	11,095	(956)	-	-
At 31 December	**4,440,277**	**4,075,203**	**4,025,467**	**3,853,271**

45 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

Group - Gross of Reinsurance	Accident Year 2015 Kshs'000	2016 Kshs'000	2017 Kshs'000	2018 Kshs'000	2019 Kshs'000	2020 Kshs'000	Total
Accident Year	2,361,000	2,387,187	2,557,984	1,974,851	1,910,948	2,421,478	-
One Year Later	2,670,547	2,744,120	2,914,603	2,071,434	2,260,926	-	-
Two Years Later	2,709,231	2,865,540	2,824,178	2,080,346	-	-	-
Thress Years Later	2,711,431	2,876,111	2,793,838	-	-	-	-
Four Years Later	2,714,572	2,800,984	-	-	-	-	-
Five Years Later	2,748,351	-	-	-	-	-	-
Current Estimate of Cumulative Claims	**2,748,351**	**2,800,984**	**2,793,838**	**2,080,346**	**2,260,926**	**2,421,478**	**15,105,923**
Cumulative Payments to Date	(2,498,717)	(2,466,145)	(2,471,104)	(1,771,758)	(1,809,764)	(1,176,513)	(12,194,001)
Reserve in Respect of Prior Years	726,748	-	-	-	-	-	726,748
Forex Adjustments	-	-	-	-	-	480	480
IBNR Reserve	-	-	-	-	-	763,325	763,325
ULAE Reserve	-	-	-	-	-	37,802	37,802
Total Gross Liability as per the Balance Sheet	**976,382**	**334,839**	**322,734**	**308,588**	**451,162**	**2,046,572**	**4,440,277**

COMPANY

Company - Gross of Reinsurance	Accident Year 2015 Kshs'000	2016 Kshs'000	2017 Kshs'000	2018 Kshs'000	2019 Kshs'000	2020 Kshs'000	Total
Accident Year	2,143,057	2,183,546	2,437,793	1,848,232	1,706,032	2,039,196	-
One Year Later	2,441,355	2,559,403	2,795,854	1,977,176	2,105,508	-	-
Two Years Later	2,484,226	2,689,185	2,714,209	1,998,966	-	-	-
Thress Years Later	2,486,345	2,706,944	2,688,719	-	-	-	-
Four Years Later	2,498,307	2,631,907	-	-	-	-	-
Five Years Later	2,531,791	-	-	-	-	-	-
Current Estimate of Cumulative Claims	**2,531,791**	**2,631,907**	**2,688,719**	**1,998,966**	**2,105,508**	**2,039,196**	**13,996,087**
Cumulative Payments to Date	(2,286,088)	(2,299,677)	(2,370,728)	(1,698,962)	(1,684,419)	(1,085,743)	(11,425,617)
Reserve in Respect of Prior Years	723,006	-	-	-	-	-	723,006
IBNR Reserve	-	-	-	-	-	694,189	694,189
ULAE Reserve	-	-	-	-	-	37,802	37,802
Total Gross Liability as per the Balance Sheet	**968,709**	**332,230**	**317,991**	**300,004**	**421,089**	**1,685,444**	**4,025,467**

45 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

Group - Gross of Reinsurance	Accident Year 2013 Kshs'000	2014 Kshs'000	2015 Kshs'000	2016 Kshs'000	2017 Kshs'000	2018 Kshs'000	2019 Kshs'000	Total
Accident Year	1,918,336	1,924,290	2,337,947	2,356,996	2,548,110	1,959,677	1,753,847	-
One Year Later	2,063,292	2,095,457	2,565,552	2,701,203	2,886,167	2,022,910	-	-
Two Years Later	2,132,646	2,197,770	2,694,941	2,853,069	2,816,317	-	-	-
Thress Years Later	2,076,774	2,225,709	2,696,459	2,836,842	-	-	-	-
Four Years Later	2,041,135	2,167,478	2,700,654	-	-	-	-	-
Five Years Later	1,985,888	2,155,774	-	-	-	-	-	-
Six Years Later	2,021,231	-	-	-	-	-	-	-
Current Estimate of Cumulative Claims	**2,021,231**	**2,155,774**	**2,700,654**	**2,836,842**	**2,816,317**	2,022,910	**1,753,847**	**16,307,575**
Cumulative Payments to Date	(1,867,283)	(2,017,192)	(2,427,785)	(2,368,362)	(2,373,705)	(1,588,727)	(992,944)	(13,635,998)
Reserve in Respect of Prior Years	647,019	-	-	-	-	-	-	647,019
Forex Adjustments	-	-	-	-	-	-	(7,639)	(7,639)
IBNR Reserve	-	-	-	-	-	-	725,886	725,886
ULAE Reserve	-	-	-	-	-	-	38,359	38,359
Total Gross Liability as per the Balance Sheet	**800,967**	**138,582**	**272,869**	**468,480**	**442,612**	**434,183**	**1,517,509**	**4,075,202**

COMPANY

Company - Gross of Reinsurance	Accident Year 2013 Kshs'000	2014 Kshs'000	2015 Kshs'000	2016 Kshs'000	2017 Kshs'000	2018 Kshs'000	2019 Kshs'000	Total
Accident Year	1,863,227	1,757,322	2,143,057	2,183,546	2,437,793	1,848,232	1,582,064	-
One Year Later	2,003,799	2,001,740	2,441,355	2,559,403	2,795,854	1,977,176	-	-
Two Years Later	2,070,541	2,092,628	2,484,226	2,689,185	2,714,209	-	-	-
Thress Years Later	2,012,728	2,121,879	2,486,345	2,706,944	-	-	-	-
Four Years Later	1,979,876	2,066,369	2,498,307	-	-	-	-	-
Five Years Later	1,926,965	2,055,018	-	-	-	-	-	-
Six Years Later	1,962,433	-	-	-	-	-	-	-
Current Estimate of Cumulative Claims	**1,962,433**	**2,055,018**	**2,498,307**	**2,706,944**	**2,714,209**	**1,977,176**	**1,582,064**	**15,496,151**
Cumulative Payments to Date	(1,810,699)	(1,917,803)	(2,228,946)	(2,241,000)	(2,281,974)	(1,565,672)	(959,088)	(13,005,182)
Reserve in Respect of Prior Years	638,193	-	-	-	-	-	-	638,193
IBNR Reserve	-	-	-	-	-	-	685,750	685,750
ULAE Reserve	-	-	-	-	-	-	38,359	38,359
Total Gross Liability as per the Balance Sheet	**789,927**	**137,215**	**269,361**	**465,944**	**432,235**	**411,504**	**1,347,085**	**3,853,271**

45 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

The table below shows the movement in the Group's outstanding claims provision and related reinsurance share of outstanding claims

GROUP

2020	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
At 1 January 2020			
Notified claims	3,314,105	(989,602)	2,324,503
ULAE	38,359	-	38,359
Incurred but not reported	722,739	(184,985)	537,754
Total at beginning of year	**4,075,203**	**(1,174,587)**	**2,900,616**
Claims paid in year	(2,364,946)	674,257	(1,690,689)
Increase in liabilities:-			
- Arising from current year claims	2,651,681	(1,176,203)	1,475,478
- Arising from prior year claims	59,095	24,104	83,199
Exchange difference on translation	19,244	(10,648)	8,596
Total at end of year	**4,440,277**	**(1,663,077)**	**2,777,200**
Notified claims	3,639,151	(1,466,171)	2,172,980
ULAE	37,802	-	37,802
Incurred but not reported	763,324	(196,906)	566,418
Total at end of year	**4,440,277**	**(1,663,077)**	**2,777,200**

2019	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
At 1 January 2019			
Notified claims	3,712,856	(1,092,864)	2,619,992
Incurred but not reported	731,547	(157,869)	573,678
Total at beginning of year	**4,444,403**	**(1,250,733)**	**3,193,670**
Claims paid in year	(2,221,725)	643,083	(1,578,642)
Increase in liabilities:-			
- Arising from current year claims	1,991,888	(591,711)	1,400,177
- Arising from prior year claims	(138,407)	24,203	(114,204)
Exchange difference on translation	(956)	571	(385)
Total at end of year	**4,075,203**	**(1,174,587)**	**2,900,616**
Notified claims	3,314,105	(989,602)	2,324,503
ULAE	38,359	-	38,359
Incurred but not reported	722,739	(184,985)	537,754
Total at end of year	**4,075,203**	**(1,174,587)**	**2,900,616**

45 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

2020	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
At 1 January 2020			
Notified claims	3,129,162	(872,620)	2,256,542
ULAE	38,359	-	38,359
Incurred but not reported	685,750	(161,588)	524,162
Total at beginning of year	**3,853,271**	**(1,034,208)**	**2,819,063**
Claims paid in year	(2,205,614)	596,458	(1,609,156)
Increase in liabilities:-			
- Arising from current year claims	2,309,713	(884,617)	1,425,096
- Arising from prior year claims	68,097	(12,798)	55,299
Total at end of year	**4,025,467**	**(1,335,165)**	**2,690,302**
Notified claims	3,293,476	(1,192,911)	2,100,565
ULAE	37,802	-	37,802
Incurred but not reported	694,189	(142,254)	551,935
Total at end of year	**4,025,467**	**(1,335,165)**	**2,690,302**

2019	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
At 1 January 2019			
Notified claims	3,512,178	(981,184)	2,530,994
Incurred but not reported	691,411	(135,533)	555,878
Total at beginning of year	**4,203,589**	**(1,116,717)**	**3,086,872**
Claims paid in year	(2,078,084)	554,893	(1,523,191)
Increase in liabilities:-			
- Arising from current year claims	1,817,287	(463,981)	1,353,306
- Arising from prior year claims	(89,521)	(8,403)	(97,924)
Total at end of year	**3,853,271**	**(1,034,208)**	**2,819,063**
Notified claims	3,129,162	(872,620)	2,256,542
ULAE	38,359	-	38,359
Incurred but not reported	685,750	(161,588)	524,162
Total at end of year	**3,853,271**	**(1,034,208)**	**2,819,063**

Refer to note 3 for the sensitivity effects of changes in value of claims.

46 CAPITAL COMMITMENTS

	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Approved Capital Expenditure	150,875	134,585	137,835	122,943

47 CONTINGENT LIABILITIES

a) Legal proceedings

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.

b) Solvency regulations

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.

c) Kenya Revenue Authority (KRA) Audit

During the year, the company received a tax assessment relating to an audit carried out by the Kenya Revenue Authority with respect to Corporate Income Tax and Value Added Tax. The Company lodged an objection to the assessment. The KRA is yet to respond on the same. This could create an exposure depending on the outcome of discussions with KRA.

d) Corporate Guarantee to ICEA LION General Insurance Company Tanzania (the subsidiary)

During the year, the company granted a corporate guarantee amounting to TZS 2 Billion (Kshs 94 million equivalent) in favor of NCBA Bank Tanzania to facilitate ICEA LION General Insurance Company Tanzania in its growth principally on business funded through Insurance Premium Financing (IPF). As at 31 December 2020 and as at the date of signing these financial statements, the subsidiary had fulfilled all its obligations to NCBA Bank Tanzania and hence no liability had crystallized that required accrual in these financial statements.

48 NOTES TO THE CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
(a) Cash generated from operations				
Reconciliation of profit before tax to cash used in operations;				
Profit before income tax	972,312	1,104,319	948,603	1,113,672
Adjustments for:				
Depreciation	37,987	40,144	34,907	36,955
Depreciation on right of use asset	43,129	61,647	33,066	52,292
Gain/(loss) on disposal of equity instruments at fair value through profit or loss	705	(4,925)	705	(4,925)
Gain on disposal of treasury bonds	(32,724)	(10,019)	(32,724)	(10,019)
Gain on sale of property and equipment	(337)	(6,759)	208	(6,759)
Finance income on investment in sub-lease	(6,838)	(8,070)	(6,838)	(8,070)
Gain on lease liability	(5,016)	-	(5,016)	-
Impairment on deposits	794	3,409	(1,108)	2,758
Interest on lease liabilities	56,396	75,453	55,145	73,510
Amortisation of intangible assets (Note 17)	6,909	8,591	6,363	8,135
Fair value gains on Equity revaluation(Note 7)	149,084	(153,662)	153,287	(164,637)
Fair value gains on investment properties(Note 7)	55,000	555	55,000	555
Fair value gain on corporate bond	-	(842)	-	(842)
Rental income(Note 7)	(213,638)	(233,300)	(213,638)	(233,300)
Dividend income(Note 7)	(42,221)	(56,373)	(38,699)	(52,050)
Interest income(Note 7)	(690,745)	(610,729)	(660,849)	(583,618)
Loss on disposal of corporate bond	1,780	-	1,780	-
Gain on discountined lease	(243)	-	(243)	-
Negative variable lease payment	(905)	-	(905)	-
Changes in working capital:				
- Kenya motor insurance pool receivable	(1,176)	19,210	(1,176)	19,210
- receivables arising out of reinsurance arrangements	(76,118)	52,920	(56,984)	63,015
- receivables arising out of direct insurance arrangements	63,184	(200,969)	62,469	(208,796)
- reinsurers share of technical provisions and reserves	(634,709)	96,315	(429,175)	121,599
- deferred acquisition costs	2,573	(51,099)	17,038	(43,537)
- other receivables	14,472	(16,174)	25,821	(12,050)
- due from subsidiary company	-	-	4,200	(2,842)
- outstanding claims provisions	365,075	(369,200)	172,196	(350,318)
- unearned premiums reserves	155,501	280,438	68,997	239,429
- payables arising from reinsurance arrangements	(30,502)	148,401	(60,488)	136,893
- deferred reinsurance commissions	(4,077)	31,191	(8,960)	26,494
- other payables	50,528	(12,207)	50,957	(22,659)
Cash used in operations	**236,180**	**188,265**	**173,939**	**190,095**

48 NOTES TO THE CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS (continued)

(b) Analysis of cash and cash equivalents

	GROUP 2020 Ksh'000	GROUP 2019 Ksh'000	COMPANY 2020 Ksh'000	COMPANY 2019 Ksh'000
Cash and bank balances	84,091	39,299	56,445	21,779
Debt securities maturing within 3 months (Note 32(a))	198,635	-	198,635	-
Deposits with financial institutions maturing within 3 months (Note 34)	402,154	240,080	344,861	199,532
	684,880	**279,379**	**599,941**	**221,311**

49 OPERATING LEASE INCOME

Maturity analysis of operating lease receipts:

	GROUP AND COMPANY 2020 Ksh'000	GROUP AND COMPANY 2019 Ksh'000
Year 1	213,638	233,300
Year 2	218,442	240,799
Year 3	229,364	252,839
Year 4	240,832	265,481
Year 5	252,874	278,755
Year 6	265,518	292,693
Year 7 and onwards	278,793	307,327
	1,699,461	**1,871,194**

The following table presents the amounts reported in profit or loss:

	2020 Ksh'000	2019 Ksh'000
Lease income on operating leases	213,638	233,300

50 RELATED PARTIES

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:

50 RELATED PARTIES (Continued)

	GROUP 2020 Ksh'000	GROUP 2019 Ksh'000	COMPANY 2020 Ksh'000	COMPANY 2019 Ksh'000
a) Transactions with related parties				
Premiums received net of commissions	342,923	398,297	328,003	398,297
Management fees – earned	-	-	6,624	7,128
– expense	10,801	14,493	10,801	14,493
Staff loans	41,538	26,595	30,939	26,595
Reinsurance premiums	132,467	148,554	132,467	148,554
b) Balances with related parties				
i) Deposits with financial institutions	313,719	290,251	221,886	247,613
ii) Bank balances	117,365	58,670	53,080	19,913
iii) Interest receivable	7,563	8,589	3,953	5,986
iv) Premiums receivable from related parties	79,858	75,037	79,858	75,037
v) Amounts due from a subsidiary	-	-	1,878	6,078
c) Due from related company:				
ICEA LION Asset Management	181	36	181	36
ICEA LION Trustee Services Ltd	-	108	-	108
ICEA Life Uganda	3,194	3,195	3,194	3,195
ICEA General Uganda	10,317	9,840	10,317	9,840
Mitchell Cotts Freight Kenya Ltd	488	704	488	704
Upstream Ltd	80	64	80	64
Seven Stars Ltd	-	33	-	33
Karirana Tea Estates	24	96	24	96
Kahuho Holdings Ltd	1	64	1	64
	14,285	**14,140**	**14,285**	**14,140**
d) Due to related company:				
ICEA LION Life Assurance	25,090	21,888	25,090	21,888
First Chartered Securities	1,819	1,134	1,819	1,134
Williamson Development Ltd	-	89	-	89
	26,909	**23,111**	**26,909**	**23,111**
e) Key management and directors' remuneration				
Director's remuneration				
Directors' fees	8,376	6,521	4,560	2,515
Key management remuneration	**252,303**	**295,386**	**218,969**	**262,101**

51 EVENTS AFTER THE REPORTING PERIOD

With effect from 1 January 2021, the Company is controlled by ICEA LION Insurance Holdings, a Company incorporated and domiciled in Kenya which is the immediate parent Company.

APPENDIX I - CONSOLIDATED REVENUE ACCOUNTS
Supplementary Information
for the year ended 31 December 2020

Class of Insurance Business	Aviation Ksh'000	Engineering Ksh'000	Fire Domestic Ksh'000	Fire Industrial Ksh'000	Liability Ksh'000	Marine Ksh'000	Motor Private Ksh'000	Motor Comm Ksh'000	Personal Accident Ksh'000	Theft Ksh'000	Workmen's Comp Ksh'000	Medical Ksh'000	Miscellaneous Ksh'000	2020 Total Ksh'000	2019 Total Ksh'000
Gross Premium Written	1,462,053	157,106	139,445	1,094,037	253,503	212,339	1,461,279	684,533	156,648	285,366	432,418	256,792	82,091	6,677,610	6,253,833
Change in unearned prem	157,361	(21,959)	940	(45,699)	31,685	827	40,008	25,687	(18,027)	(18,008)	(25,871)	22,162	(6,536)	142,570	219,208
Gross earned prem	1,304,692	179,065	138,505	1,139,736	221,818	211,512	1,421,271	658,846	174,675	303,374	458,289	234,630	88,627	6,535,040	6,034,625
Less : Reinsurance payable	(1,299,746)	(112,211)	(38,972)	(931,000)	(170,720)	(89,854)	(55,047)	(39,653)	(85,370)	(80,832)	(37,012)	(119,208)	(74,130)	(3,133,755)	(3,029,030)
Net earned premiums	**4,946**	**66,854**	**99,533**	**208,736**	**51,098**	**121,658**	**1,366,224**	**619,193**	**89,305**	**222,542**	**421,277**	**115,422**	**14,497**	**3,401,285**	**3,005,595**
Gross Claims Paid	34,700	60,039	11,639	551,591	48,105	69,905	777,998	297,106	161,021	92,758	108,623	150,289	1,172	2,364,946	2,221,724
Change in o/s claims	28,617	193,493	(3,849)	38,942	(20,959)	(4,798)	8,265	(40,848)	(41,342)	(113,071)	(22,755)	23,970	(793)	44,872	(303,273)
	63,317	**253,532**	**7,790**	**590,533**	**27,146**	**65,107**	**786,263**	**256,258**	**119,679**	**(20,313)**	**85,868**	**174,259**	**379**	**2,409,818**	1,918,451
Less : Reinsurance recoveries	(52,367)	(228,639)	(247)	(432,493)	(13,643)	(13,101)	(23,423)	25,790	(98,306)	51,538	(3,582)	(62,465)	(204)	(851,142)	(632,477)
Claims Incurred	**10,950**	**24,893**	**7,543**	**158,040**	**13,503**	**52,006**	**762,840**	**282,048**	**21,373**	**31,225**	**82,286**	**111,794**	**175**	**1,558,676**	**1,285,974**
Commissions earned	(47,111)	(27,979)	(7,169)	(268,879)	(21,045)	(18,587)	(3,231)	(5,018)	(23,479)	(7,776)	(7,800)	(25,637)	(21,960)	(485,671)	(448,829)
Commissions incurred	13,807	32,777	23,266	197,140	19,358	28,955	129,748	62,874	31,710	36,377	83,443	23,028	7,606	690,089	622,120
Expenses of Management	27,468	24,486	23,137	78,533	26,687	69,254	474,609	253,428	32,935	76,604	96,815	51,840	11,084	1,246,880	1,308,379
Total Expenses & Commissions	**(5,836)**	**29,284**	**39,234**	**6,794**	**25,000**	**79,622**	**601,126**	**311,284**	**41,166**	**105,205**	**172,458**	**49,231**	**(3,270)**	**1,451,298**	**1,481,670**
Underwriting profit/(loss)															
-2020	**(168)**	**12,677**	**52,756**	**43,902**	**12,595**	**(9,970)**	**2,258**	**25,861**	**26,766**	**86,112**	**166,533**	**(45,603)**	**17,592**	**391,311**	**237,951**
-2019	**6,534**	**18,561**	**35,085**	**139,326**	**21,060**	**19,405**	**(224,608)**	**3,776**	**(7,265)**	**91,047**	**163,595**	**(54,128)**	**25,563**	**237,951**	
Key ratios:															
Loss ratio	221	37	8	76	26	43	56	46	24	14	20	97	1	46	43
Commission ratio	1	21	17	18	8	14	9	9	20	13	19	9	9	10	10
Expense ratio	2	16	17	7	11	33	32	37	21	27	22	20	14	19	21
Combined ratio	103	81	47	79	75	108	100	96	70	61	60	140	-21	88	92

Class of insurance business	Aviation Ksh'000	Engineering Ksh'000	Fire Domestic Ksh'000	Fire Industrial Ksh'000	Liability Ksh'000	Marine Ksh'000	Motor Private Ksh'000	Motor Comm Ksh'000	Personal Accident Ksh'000	Theft Ksh'000	Workmen's Comp Ksh'000	Medical Ksh'000	Miscellaneous Ksh'000	2020 Total Ksh'000	2019 Total Ksh'000
Gross Premium Written	1,428,169	136,796	135,468	923,153	235,565	184,941	1,318,822	542,648	148,575	239,436	429,850	256,792	77,179	6,057,394	5,855,812
Change in gross earned prem	161,486	(16,885)	523	(59,040)	24,683	508	14,290	(17,399)	(16,410)	(19,593)	(21,464)	22,162	(3,864)	68,997	177,595
Gross earned prem	1,266,683	153,681	134,945	982,193	210,882	184,433	1,304,532	560,047	164,985	259,029	451,314	234,630	81,043	5,988,397	5,678,217
Less : Reinsurance payable	(1,262,406)	(93,274)	(37,625)	(805,239)	(164,995)	(74,097)	(31,344)	(6,413)	(79,165)	(58,657)	(32,728)	(119,208)	(67,009)	(2,832,160)	(2,837,236)
Net earned premiums	**4,277**	**60,407**	**97,320**	**176,954**	**45,887**	**110,336**	**1,273,188**	**553,634**	**85,820**	**200,372**	**418,586**	**115,422**	**14,034**	**3,156,237**	**2,840,981**
Gross Claims Paid	34,700	50,209	11,190	482,451	47,866	60,237	735,807	276,481	158,591	87,998	108,623	150,289	1,172	2,205,614	2,078,085
Change in gross outstanding claims	5,383	19	(4,057)	27,072	(23,711)	(521)	2,957	(45,058)	(37,885)	(53,386)	(22,755)	23,970	(791)	(128,763)	(285,350)
	40,083	50,228	7,133	509,523	24,155	59,716	738,764	231,423	120,706	34,612	85,868	174,259	381	2,076,851	1,792,735
Less : Reinsurance recoverable	(29,683)	(29,216)	(188)	(367,386)	(11,929)	(11,723)	(11,007)	32,250	(98,020)	(3,306)	(3,582)	(62,465)	(203)	(596,458)	(537,351)
Net claims Incurred	**10,400**	**21,012**	**6,945**	**142,137**	**12,226**	**47,993**	**727,757**	**263,673**	**22,686**	**31,306**	**82,286**	**111,794**	**178**	**1,480,393**	**1,255,384**
Commissions earned	(43,177)	(22,696)	(7,072)	(217,949)	(23,385)	(14,851)	(911)	(27)	(20,865)	(3,106)	(6,407)	(25,637)	(19,543)	(405,626)	(396,397)
Commissions payable	11,058	28,012	22,524	155,944	20,250	24,749	117,117	50,274	29,924	29,824	81,839	23,028	6,536	601,079	564,422
Expenses of Management	27,296	21,115	21,672	57,236	22,665	62,509	409,335	198,183	31,518	63,435	96,026	51,840	10,822	1,073,652	1,150,900
Total Expenses & Commissions	**(4,823)**	**26,431**	**37,124**	**(4,769)**	**19,530**	**72,407**	**525,541**	**248,430**	**40,577**	**90,153**	**171,458**	**49,231**	**(2,185)**	**1,269,105**	**1,318,925**
Underwriting profit/(loss)															
-2020	**(1,300)**	**12,964**	**53,251**	**39,586**	**14,131**	**(10,064)**	**19,890**	**41,531**	**22,557**	**78,913**	**164,842**	**(45,603)**	**16,041**	**406,739**	**266,672**
-2019	**6,534**	**18,017**	**35,821**	**145,456**	**20,162**	**19,129**	**(208,659)**	**16,050**	**(11,139)**	**90,892**	**164,430**	**(54,128)**	**24,107**	**266,672**	
Key ratios:															
Loss ratio	243	35	7	80	27	43	57	48	26	16	20	97	1	47	44
Commission ratio	1	20	17	17	9	13	9	9	20	12	19	9	8	10	10
Expense ratio	2	15	16	6	10	34	31	37	21	26	22	20	14	18	20
Combined ratio	130	79	45	78	69	109	98	92	74	61	61	140	-14	87	91

ICEA LION
GENERAL INSURANCE

APPENDICES

06

CORPORATE INFORMATION

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CORPORATE SOCIAL RESPONSIBILITY (CSR) & INVESTMENT (CSI) 2013 -2020

ICEA LION GROUP CORPORATE SOCIAL RESPONSIBILITY SUPPORT - JANUARY 2013 - DECEMBER 2019

No.	Project	Description	Category	Group Cost	Life Assurance	General Insurance
2013						
1	Kenya Paraplegic Organization	Bring Zack Back Campaign	Health	200,000.00	100,000.00	100,000.00
2	Kenya Paraplegic Organization	Charity Golf Tournament	Health	200,000.00	100,000.00	100,000.00
3	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	200,000.00	100,000.00	100,000.00
4	The Association of Kenya Insurers	Annual Medical Camp	Health	50,000.00	25,000.00	25,000.00
5	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	100,000.00	50,000.00	50,000.00
6	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	200,000.00	-	200,000.00
7	Rhino Ark Charitable Trust	Support of Rhino Charge Team	Environment	100,000.00	50,000.00	50,000.00
8	Kahawa Garisson	High School Project	Education	300,000.00	150,000.00	150,000.00
9	August 7 Memorial Trust	In Support of the Needy	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
10	SOS Children's Villages	In Support of the Needy Children	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
11	Lions Club of Kenya	Charity Golf Tournament	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
12	Faraja Cancer Support Trust	Faraja Cancer Centre Development	Health	2,000,000.00	1,000,000.00	1,000,000.00
13	KCB Safari Rally	Official Event Insurer June 2013 - June 2014	Brand Equity - Sports	1,000,000.00	-	1,000,000.00
Total Support Amount				4,800,000.00	1,800,000.00	3,000,000.00
2014						
1	Alexis Foundation	Charity Golf Tournament	Education	75,000.00	37,500.00	37,500.00
2	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	500,000.00	250,000.00	250,000.00
3	Heart to Heart Foundation	Heart Run (Karen Hospital)	Health	50,000.00	25,000.00	25,000.00
4	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
5	Faraja Cancer Support Trust	Purchase of Branded Tee Shirts	Health	200,000.00	100,000.00	100,000.00
6	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
7	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	100,000.00	50,000.00	50,000.00
8	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
9	The Association of Kenya Insurers	Annual Medical Camp - Kamangu Primary - Kiambu	Health	50,000.00	25,000.00	25,000.00
10	Drumbeat Ltd - Amazing Maasai Marathon	Supporting Girl Child Secondary Education in Maasailand - Official Event Insurer	Education	130,000.00	65,000.00	65,000.00
11	The Kenya Red Cross	Annual Gala Dinner for the Disaster Kitty	Special Projects - Disaster Preparedness	300,000.00	-	300,000.00
12	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
Total Support Amount				1,835,299.00	767,649.50	1,067,649.50

CORPORATE SOCIAL RESPONSIBILITY (CSR) & INVESTMENT (CSI) 2013 -2020

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2015						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	-	50,000.00
2	Special Olympics Kenya	3 Air Tickets for Special Olympics Swim Team	Special Projects - Sports	500,000.00	250,000.00	250,000.00
3	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	-	300,000.00
5	The Association of Kenya Insurers	Annual Medical Camp - Ngurubaini Primary School - Mwea	Health	70,000.00	35,000.00	35,000.00
6	Consolata Youth Rehabilitation Programme	COYREP & ICEA LION Visit To Clean Up Deep Sea Slum	Brand Equity - Environment	100,000.00	50,000.00	50,000.00
7	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
8	Wema Centre Trust	Annual Fund Raising Dinner	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
9	Help Baby Ivannah	Medical Bill Support For The Late Baby Ivannah	Special Projects - Support of Needy	30,000.00	15,000.00	15,000.00
10	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
11	KCB Safari Rally	Official Event Insurer Jun 2014 - Dec 2015	Brand Equity - Sports	3,000,000.00	-	3,000,000.00
Total Support Amount				4,690,254.00	670,127.00	4,020,127.00

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2016						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
2	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	150,000.00	150,000.00
5	Association of Kenya Insurers	Joint Insurers Pensions Awareness Campaign	Special Projects - Financial Literacy	1,000,000.00	500,000.00	500,000.00
6	Jockey Club of Kenya - Horse Derby	111th Kenya Derby Prize Money For Riders	Brand Equity - Sports	1,000,000.00	500,000.00	500,000.00
7	Jockey Club of Kenya - Horse Derby	Social Media Boosting to Advertise Event	Brand Equity - Sports	17,492.80	8,746.40	8,746.40
8	Duke of Edinburgh's Presidential Award Scheme	Feeding Youth During Mt. Kenya Climb	Education	500,000.00	250,000.00	250,000.00
9	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
10	East African & Kenya Motor Sports Club	FIM MotoCross Of African Nations 2016	Brand Equity - Sports	500,000.00	250,000.00	250,000.00
11	East African Motor Sports Club	Refurbishing 16 Spectator Stands & Constructing 14 new ones	Brand Equity - Sports	1,397,000.00	698,500.00	698,500.00
12	The Association of Kenya Insurers	Annual Medical Camp - Karagita - Naivasha	Health	85,000.00	42,500.00	42,500.00
13	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
Total Support Amount				5,199,791.80	2,599,895.90	2,599,895.90

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2017						
1	The Association of Kenya Insurers	Annual Medical Camp - Gatanga - Thika	Health	85,000.00	42,500.00	42,500.00
2	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	500,000.00	300,000.00	200,000.00
Total Support Amount				645,045.00	372,522.50	272,522.50

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2018						
1	The Association of Kenya Insurers	Annual Medical Camp - Matuu - Machakos	Health	90,000.00	45,000.00	45,000.00
2	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	500,000.00	200,000.00
Total Support Amount				790,000.00	545,000.00	245,000.00

2019						
1	The Association of Kenya Insurers	Annual Medical Camp - Isinya	Health	90,000.00	45,000.00	45,000.00
2	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	0	700,000.00
Total Support Amount				790,000.00	45,000.00	745,000.00
2020						
1	Lewa Wildlife Conservancy	Virtual Lewa Marathon	Brand Equity - Environment	100,000.00	50,000.00	50,000.00
2	National Emergency Response Committee	COVID-19 Pandemic Support	Health & Special Projects	10,000,000.00	5,000,000.00	5,000,000.00
Total Support Amount				10,100,000.00	5,050,000.00	5,050,000.00
TOTAL CORPORATE SOCIAL RESPONSIBILITY SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2020				28,855,389.80	11,852,694 .90	17,002,694.90

ICEA LION GROUP CORPORATE SOCIAL INVESTMENT SUPPORT - OCTOBER 2016 - DECEMBER 2020

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2016 - 2017						
1	Ewaso Lions - Lion Conservation Project	Warrior Watch & Lion Monitoring Equipment	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	862,554.00	431,277.00	431,277.00
2		Production of the Lion Conservation Video		3,838,634.00	1,919,317.00	1,919,317.00
3		Promoting the Lion Conservation Video & Initiative on Social Media (Facebook, Instagram & YouTube)		600,000.00	300,000.00	300,000.00
4	Kenya Wildlife Service (KWS) National Lion Census	KWS Methodology & Standardization Workshop Sponsorship		462,000.00	231,000.00	231,000.00
5		National Lion Census - Phase I - Lake Nakuru National Park		821,167.00	410,583.50	410,583.50
Total Support Amount				6,584,355.00	3,292,177.50	3,292,177.50
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2018						
1	Lewa Wildlife Conservancy	ICEA LION Staff Immersion & Sensitization Videography & Photography	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	194,880.00	97,440.00	97,440.00
2		Conservation Education Programme - 15 Schools, 690 Students, 60 Teachers from Northern Kenya for 2 Days		3,515,000.00	3,987,000.00	3,987,000.00
3		Conservation Education Programme - ICEA LION Staff immersion		200,000	100,000	100,000
4		Lion Predator Monitoring Programme		472,000.00	236,000.00	236,000.00
Total Support Amount				4,381,880.00	2,190,940.00	2,190,940.00
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2019						
1	Kenya Wildlife Service (KWS) National Lion Census	National Lion Census - Census Equipment for 5 Regions	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	1,701,925.00	850,962.50	850,962.50
2	Lewa Wildlife Conservancy	ICEA LION Staff Immersion & Sensitization Videography & Photography		194,880.00	97,440.00	97,440.00
3		Conservation Education Programme - ICEA LION Staff immersion with Bardassa Secondary School		200,000.00	100,000.00	100,000.00
4		Lion Predator Monitoring Programme		472,000.00	236,000.00	236,000.00
Total Support Amount				2,568,805.00	1,284,492.50	1,284,492.50
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2020						
1	Lewa Wildlife Conservancy	Fund Raising Gala Dinner: Chief Guest : Eliud Kipchoge	Brand Equity - Environment	600,000.00	300,000.00	300,000.00
2	Organization of East & Southern African Insurers (OESAI)	Sponsored OESAI Sustainability Conference	Brand Equity - Environment	600,000.00	300,000.00	300,000.00
Total Support Amount				1,200,000.00	600,000.00	600,000.00
TOTAL CORPORATE SOCIAL INVESTMENT SUPPORT AMOUNT FROM OCTOBER 2016 - DECEMBER 2020				14,735,040.00	7,367,520.00	7,367,520.00
TOTAL CORPORATE SOCIAL RESPONSIBILITY & INVESTMENT SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2020				43,590,429.80	19,220,214.90	24,370,370.90

These costs exclude the launch event activities & related logistical costs

AWARDS & ACCOLADES 2012 - 2020 & GCR RATING

THINK BUSINESS AWARDS

WINNER

General Insurer of the Year - 2017, 2014
Lifetime Achievement Award: CEO: Steven Oluoch - 2018
Best Insurer in Product Distribution & Marketing - 2017
Corporate Risk Manager of the Year: Dorothy Maseke - 2018, 2017
Training - 2016
Customer Satisfaction - 2016
Customer Service - 2018, 2017
Claims Settlement - 2018, 2015
Risk Management - 2015
Best Insurer in Sustainable CSR - 2018
Major Loss Award - 2012
Best Company in Technology & Digital Applications - 2018

1ST RUNNERS UP

Best Insurer in Sustainable CSR - 2017
Customer Service - 2016, 2014
Risk Management Award - 2017, 2014
Marketing Initiative of the Year - 2012
Most Innovative Insurance Company - 2018
Best Insurance Company in Product Distribution & Marketing - 2018
Training - 2015,
Fraud Detection & Prevention - 2018, 2016, 2015

2ND RUNNERS UP

General Insurer of the Year - 2018, 2016, 2015
Training - 2018, 2014
Fraud Detection & Prevention - 2017, 2014
Claims Settlement - 2016

ICPSK CHAMPIONS OF GOVERNANCE AWARDS

WINNER

Insurance Sector: 2018, 2017
Company Secretary of the Year: Kennedy Ontiti - 2016, 2015

1ST RUNNERS UP

Insurance Sector: 2016, 2015
Company Secretary of the Year: Kennedy Ontiti - 2018

2ND RUNNERS UP

Overall Champions of Governance Award - 2018
CEO of the Year: Steven Oluoch - 2016
Insurance Sector: 2016
Company Secretary of the Year: Kennedy Ontiti - 2017

EAST AFRICAN MARITIME AWARDS

WINNER

Marine Cargo Insurer - 2018

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (ICPAK) FINANCIAL REPORTING (FiRe) AWARDS

1ST RUNNERS UP

Insurance Category - 2019

2ND RUNNERS UP

Insurance Category - 2018

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

WINNER

CEO of the Year: Steven Oluoch - 2017
Financial Management Determinant - 2017

DELOITTE'S BEST COMPANY TO WORK FOR AWARDS

WINNER

Insurance Sector - 2014, 2015

1ST RUNNERS UP

Overall: Mid-Size Companies (under 500 employees) - 2016

AWARDS & ACCOLADES 2012 - 2020 & GCR RATING

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

WINNER

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

INSTITUTE OF CUSTOMER SERVICE – ICS KENYA AWARDS

WINNER

Insurance Sector - 2014

INSURANCE INSTITUTE OF KENYA (IIK) ANNUAL QUIZ

WINNER 2017

INTERNATIONAL SAFETY TRAINING CENTRE AWARD

WINNER

International Workplace Safety Award - 2019

Credit Rating Announcement

GCR affirms ICEA LION General Insurance Company's national scale financial strength rating of AA-(KE); Outlook Stable

Rating action

Johannesburg, 09 June 2020 - GCR Ratings ("GCR") has affirmed ICEA LION General Insurance Company Limited's ("ICEA LION General") national scale financial strength rating of AA-(KE); Outlook Stable.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook/Watch
ICEA LION General Insurance Company Limited	Financial strength	National	AA-(KE)	Stable Outlook

ASSOCIATION OF KENYA INSURERS (AKI) SPORTS DAY

WINNER

Indoor Games - 2019, 2018
Swimming - 2019

1ST RUNNERS UP

Overall Champions - 2019 , 2018, 2016
Track & Field Games Champions - 2019, 2018
Auxiliary Games, Indoor Games,Volleyball and Athletics Games Champions - 2016

AFRICAN CRISTAL MEDIA & ADVERTISING AWARDS - MOROCCO

2ND RUNNERS UP

Digital Insurance Category - 2019

REPORTING GUIDANCE INDEX

BASED ON INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC) FRAMEWORK

Zipporah Chege
Chief Finance Officer
ICEA LION General Insurance

Dorothy Maseke
Group Manager
Risk & Compliance
ICEA LION Group

Nkatha Gitonga
Group Manager
Marketing & Communications
ICEA LION Group

Kevin Nyakeri
Chief Finance Officer
ICEA LION Life Assurance

ICEA LION'S INTEGRATED LAB

Meet our team that spearheaded and continues to champion Integrated Thinking and delivered the 2020 Integrated Report that was developed and designed in-house.

Special thanks to our in-house designer Mwangi Kariuki for his creative and tireless efforts.

Joy Gachoka | Robert Gathage | Zebedeo Nyakwana | Magdaline Muchiri | Elisha Muruga | John Mbote

We appreciate this dedicated team from our finance and actuarial departments who worked diligently in liaison with the integrated lab team to deliver on our 2020 Audited Financial Statements-

ICEA LION

GENERAL INSURANCE

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