CIC GROUP

CIC INSURANCE GROUP PLC

INTEGRATED FINANCIAL REPORT 2020

LET US UNITE,
LET US STOP COVID-19
STAY SAFE

HELP PREVENT COVID-19 BY:

OBSERVING ALL PROTOCOLS SET BY THE MINISTRY OF HEALTH

- Be alert to Symptoms
- Wash your Hands with Soap
- Wear a Mask
- Always Keep a Safe Distance
- Get Vaccinated
  If you qualify

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CIC INSURANCE GROUP PLC
AND ITS SUBSIDIARIES
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS

J. Magomere	– Group Chairman
P. Nyigei	– Group Vice Chairman
P. Nyaga	– Group CEO –Appointed 29 September 2020
G. Owuor	
M. Wambia	
J. M. Mutuku	– Retired 29 September 2020
R. Githaiga	
J. Njue	
J. Patel	
J. Mbitu	– Retired 1 June 2020
N.Kuria	– Appointed 29 September 2020

COMPANY SECRETARY

Gail Odongo
Certified Public Secretary (Kenya)
P. O. Box 59485 - 00100
Nairobi, Kenya

REGISTERED OFFICE

CIC Plaza
Upper Hill, Mara Road
P. O. Box 59485 - 00200
Nairobi, Kenya

SENIOR MANAGEMENT

P.Nyaga	– Group Chief Executive Officer
M.Luvai	– Ag. Group Chief Financial Officer
F.Ruoro	– Managing Director: CIC General Insurance Limited
S. Mutua	– Managing Director: CIC Asset Management Limited
J. Kionga	– Ag. Managing Director: CIC Life Assurance Limited
A. Murunga	– Managing Director: CIC Africa Insurance (SS) Limited
C. Mugwangá	– Managing Director: CIC Africa Co-operatives Insurance Limited
G. Odongo	– Group Company Secretary/Chief Legal Officer
P. Oyugi	– General Manager Human Resource & Administration
R. Murunga	– Ag. Group Chief Internal Auditor
S. Robi	– Group Risk and Compliance Manager
H. Malmqvist	– Group Chief Information Officer
J. Kamiri	– General Manager Marketing and Customer Experience
R. Nyakenogo	– General Manager Co-operatives
M.Mugo	– General Manager Branch Distribution
S. Ndegwa	– Group Actuarial Manager

AUDITORS

PricewaterhouseCoopers LLP
Certified Public Accountants (Kenya)
PWC Towers, Waiyaki Way / Chiromo Road Westlands
P. O. Box 43963 - 00100
Nairobi, Kenya

PRINCIPAL BANKERS

The Co-operative Bank of Kenya Limited
P. O. Box 67881 - 00100
Nairobi, Kenya

CONSULTING ACTUARIES

The Actuarial Services Company Limited
Victoria Towers, Upper Hill
P.O. Box 10472 - 00100
Nairobi, Kenya

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors submit their report together with the audited financial statements of CIC Insurance Group Plc (the Company) and its subsidiaries (together ''the Group'' or "CIC Group") for the year ended 31 December 2020.

1. INCORPORATION

The Group is domiciled in Kenya where it is incorporated as a public company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 2.

2. DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 2.

3. PRINCIPAL ACTIVITIES

The principal activity of the Group is the transaction of general and life insurance business including pension scheme administration, fund management and property business.

4. RECOMMENDED DIVIDEND

The directors do not recommend payment of a dividends for the year 2020 (2019: Nil).

5. GROUP RESULTS

	2020 KShs'000	2019 KShs'000
(Loss)/Profit before taxation	(79,544)	385,589
Taxation charge	(217,288)	(63,998)
(Loss)/Profit for the year	(296,832)	321,591

6. BUSINESS REVIEW

Gross Domestic Product growth (GDP) for quarter four (Q4) 2020 contracted by 5.7% mainly driven by a sharp decline in accommodation services, education and transport sectors. The economic outlook both globally and in Kenya however remains uncertain as the Covid-19 impact filters through to 2021. The World Bank anticipates 2020 GDP to contract by 1%.

The CBK retained its benchmark rate at 7% in Q4 2020, opining that policy measures implemented since March were having the intended effect on the economy. Short-term rates rose slightly in Q4 2020 with the 91,182 and 364-day papers closing at 6.93%, 7.40% and 8.34% respectively.

Inflation averaged 5.26% in Q4 2020 largely due to a rise in food prices of select items and pent up consumer demand as business activity and mobility improved. The Kenya shilling lost 0.62% to the dollar closing at 109.17. Dollar demand remained persistent, as thin inflows prevailed, pushing the shilling to historic lows of 111.59 mid-December.

Both the NASI and NSE-20 registered gains in Q4 2020, of 8.74% and 0.87% respectively. Foreign investors remained net sellers as they diverged from frontier markets in the wake of persistent negative sentiment. The market outlook for 2021 remains uncertain as potential downside risks persist in light of the unrelenting pandemic.

6. *BUSINESS REVIEW (continued)*

The real estate sector recorded moderate activities with a general decline overall. The pandemic forced many businesses to restructure and enforce work-from-home policies, which greatly reduced commercial space uptake and lowered rental yields. Travel restrictions caused a major slow down to the hospitality sector and constrained financing to both developers and buyers as financiers aimed to limit exposure amidst increased loan deferrals and defaults.

For the Group's regional businesses in Uganda, South Sudan and Malawi, the Ugandan economy was estimated to have grown by 2.9% year on year in the Q4 of FY 2019 to 2020. The low growth was occasioned by the mitigation measures taken globally and domestically to curb the COVID-19 pandemic. In South Sudan, the country's economy slowed down to an estimated 4.1%, majorly due to the COVID-19 outbreak and the fall in oil prices. Malawi's economic growth on the other hand was estimated to have declined to 1% in 2020 from 4.8% in 2019, reflecting the adverse impact of the pandemic. The hard-hit sectors included manufacturing, tourism and accommodation, health services and wholesale and retail trade sectors.

Financial performance

The group's total assets grew to Kshs 38.7 billion from 35.3 billion in 2019, while its gross written premiums declined by 4% from KShs.17.7 B in 2019 to KShs.16.98 B in 2020. The net results as shown by the Group's loss before tax was Kshs 80 million; a decline from a profit before tax of Kshs 386 million in 2019. This was mainly due to the tough operating environment and negative performance of the stock market that led to reduced returns from equity investments. The property market similarly has been fraught with limited opportunities to dispose off properties and provide support in offsetting financial charges.

Covid-19 Pandemic

The Covid-19 pandemic continues to play out globally and in Kenya. Globally, many major economies have been affected by renewed waves of Covid-19 infections and deaths during the northern hemisphere summer and through October. The number of cases and deaths has so far been lower than feared in sub-Saharan Africa (SSA), but concerns remain regarding limited healthcare system capacity. In Kenya, the number of confirmed cases fell encouragingly in the month to mid-September, only to surge again in October.

As the COVID-19 outbreak took hold, volatility in the equities market rose markedly. Foreign equity outflows from the Nairobi Securities Exchange (NSE) 20 share index rose by approximately 31 percent between January and October 2020; this in turn adversely affected the group's investment income.

Covid-19 however had a favorable impact on Medical and Motor claims due to reduced hospital visits and due to the inter county lockdown and curfew hours imposed during the year.

To ensure minimal business disruption while taking care of its staff, management has affected a number of measures including:

- Remote working for all employees, with the exception of those offering essential services to ensure continuity in business operations;
- Provision of appropriate utilities for those in the office such as gloves, sanitizers and masks;
- Thorough screening at all entry points to office premises;
- Continuous monitoring of all staff by resident nurses; and
- Prudent investment in short term investment to avoid market volatility.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Future Outlook

The Group will continue on its transformation initiatives under pinned by the 5 year strategic plan 2021-2025. It will enhance its core systems in line with customer needs and new accounting standards as it boosts digitization of all its business processes to serve an emerging digital economy. This presents enormous opportunities for increased retail business, improved customer experience, prudent cost management by focusing on innovation and continuous improvement as well as meeting compliance requirements.

7. STATEMENT AS TO DISCLOSURE TO THE GROUP AND COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

a). there is, so far as the person is aware, no relevant audit information of which the Group and company's auditor is unaware; and

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

8. TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP were appointed during the year and having expressed their willingness, continue in office in accordance with the company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees.

BY ORDER OF THE BOARD

Secretary
24 March, 2021
Nairobi, Kenya

1. Our Journey and History

Milestones

2020

- CIC Goes Cashless
- Customer Digital Motor Certificates
- CIC launches Records and Information Management System
- **Winner – AKI Group Life Company of the Year**
- **Second runners up AKI Motor Data System Award**
- **CIC General awarded Best Automotive Insurer – Automotive Industry Excellence Awards**
- **Best Motor Insurer – Cheki Awards**

2019

- Marked 50 Years of service to the people
- Name change to Public Listed Company (PLC) in compliance with the requirements of the Companies Act
- Successfully paid the 2014 KShs 5b Corporate Bond upon maturity.
- **AKI Awards: Overall Winner 2019 Group Life Company of the Year - AKI Group Life Best Practice**
- **AKI Awards: CIC General - second runners, Insurance Motor Data System Award.**

2018

AKI Awards:
Overall Winner 2018 Group Life Company of the Year
- AKI Group Life Best Practice. Fire Award
- Winner Insurance Category 2018.

2017

AKI Awards:
Overall Winner 2017 Group Life Company of the Year
- AKI Group Life Best Practice.

2016

Successful launch of a the CIC Foundation.
- **CIC Group awarded Best Company to Work for Deloitte - 2016.**
- **CIC Life awarded Group Life Company of the Year - AKI.**

2015

Successful implementation of a unified CIC Brand.

2014

Opening of CIC Plaza II and Successful Corporate Bond issue (oversubscribed by 111%).
Entry into **Malawi** and **Uganda** markets.

2013

Entry into **Southern Sudan** and commencement of Regional Expansion.

2012

CIC Insurance Group listed its shares by introduction at the **Nairobi Securities Exchange** on Thursday 19th July 2012.

2011

We fully demerge resulting in the formation of :-
- **CIC Life Assurance Limited,**
- **CIC General Insurance Limited**
- **CIC Asset Management Limited.**

2010

Name change to CIC Insurance Group Limited in preparation for the demerger of our Life and General Business operations.

1999

Name change from CIS to the Cooperative Insurance of Kenya Ltd (CIC).

1978

Incorporated and licensed as Co-operative Insurance Services Ltd (CIS).

1968

CIS started as an **insurance agency** within the Kenya National Federation of Co-operatives (KNFC).

2. Our Philosophies and Values

Our Purpose

A financial service industry institution predominately owned by the Co-operative Movement transforming lives.

Why we exist as CIC Insurance Group

We operate in Kenya and the region using the co-operative model to ensure that we economically and socially transform our stakeholders by the Innovative Insurance and Asset Management solutions that we offer.

Our Vision Statement

"To be a world-class provider of insurance and other financial services."

Today's consumer has unlimited choices. Advances in technology have made it possible for consumers to enjoy products/services from all over the world. CIC acknowledges that to remain relevant our services must meet global standards.

Our Mission Statement

"To enable people achieve financial security."

We are first and foremost a co-operative. This is our identity and heritage which we are unashamedly proud of. Consequently, we shall consider ourselves successful only when all our stakeholders achieve financial security on account of association with us.

CIC Tagline/Slogan

"We keep our word"

We recognize that for our business to grow, we have a role to play in reversing the mistrust partly contributed by our own industry players through various malpractices such as mis-selling or failure to honour claims thus undermining the growth we so desire. We shall honour our promises to all our stakeholders.

Value Preposition

"To offer simple, flexible insurance and financial services built around our customers' needs."

Our approach to business growth shall be research driven. We shall seek to understand our customers and their needs, and innovatively develop appropriate products that address their needs, wants and desires.

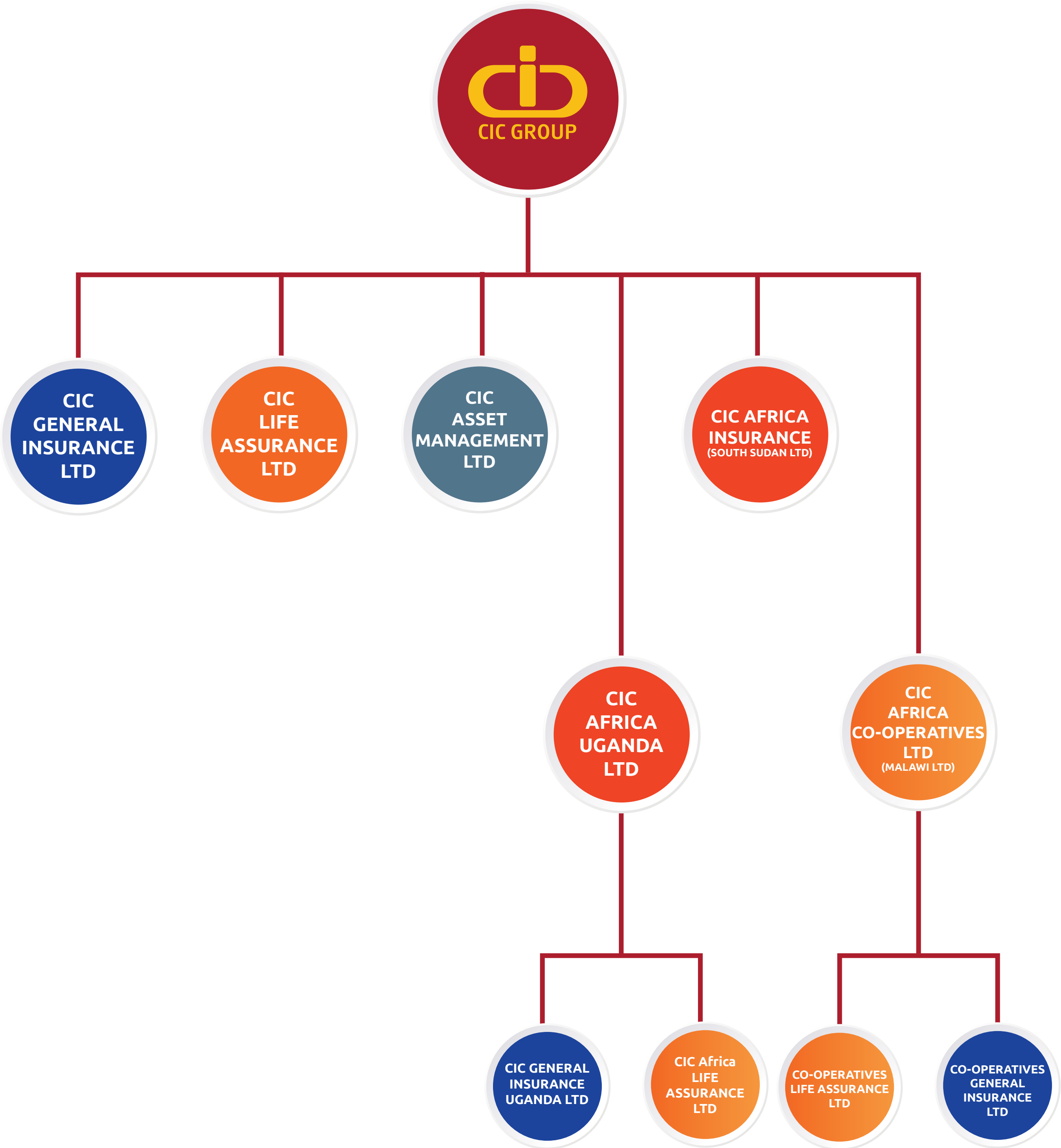
Our Core Values

- **Integrity** – Be fair and transparent
- **Dynamism** – Be passionate and innovative
- **Performance** – Be efficient and results driven
- **Co-operation** – Live the co-operative spirit

Our approach to business growth is research driven. We seek to understand our customers and their needs, and innovatively develop appropriate products that address their needs, wants and desires.

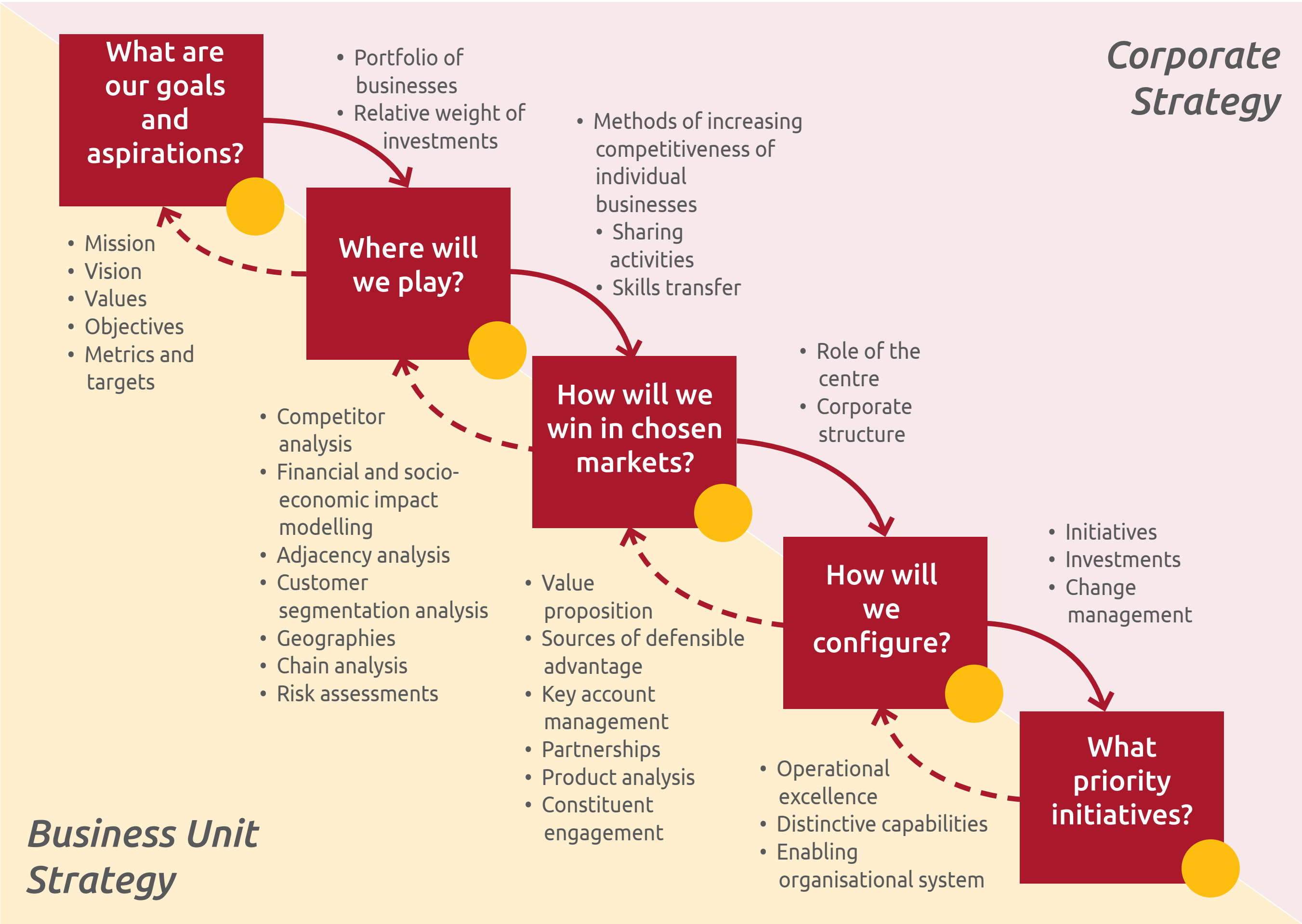
3. Our Value creation

(i) Structure



3. Our Value creation *(continued)*

(ii Strategy



4. Our Key Stakeholders and partners

Customers

Our customers range from our own shareholders i.e. the co-operative movement and its membership, to corporate clients, to individuals – ranging from high net worth to the lowest income individuals in society. This is not only reflective of our adaptability as an insurer, but confirms our mission of providing financial security to all people.

Shareholders

Our shareholding stands follows:

Local Co-operative based institutions
76.74%

Foreign based institutions
0.10%

Local individuals
22.09%

Foreign individuals
1.07%

Employees

CIC has a staff complement of 543 staff members of whom 480 are permanent and pensionable terms of employment while the rest, 63, are on short to medium term contracts. With a 49% to 51% ratio of male to female staff, the company remains committed to ensure that gender parity is maintained.

Co-operative Movement

The co-operative movement in Kenya comprises 22,883 co-operatives of which 6,774 are agriculture based and the rest 16,109 non-agriculture based. Savings and Credit Co-operative Societies (SACCOS) account for more than 57% of all the registered cooperatives in Kenya out of which only 30% (3,973) are active and further, out of which only 1,320 are financially stable. These Saccos account for 81% of insurance uptake from CIC Group.

CO-OPERATIVES
22,883

AGRICULTURAL
6,774

NON AGRICULTURAL
16,109

Strategic partners

We collaborate with other organizations within the co-operative movement whom we are affiliated with include the Co-operative Alliance of Kenya (CAK), the International Co-operative Alliance (ICA) and the International Co-operative and Mutual Insurance Federation (ICMIF).

Regulation

We view regulation positively as regulation strengthens business. Compliance with regulatory stipulations is a principle we intend to abide by. We take a proactive stance in this regard by ensuring we closely monitor performance deviations and where a breach is inevitable, engage the relevant regulators early with clear measures to return to normalcy.

Suppliers

Our suppliers are essential participants in the value chain and contribute either positively or negatively to the value we give our shareholders. We engage suppliers who respect our values and are ethical in their conduct of business.

Community

We remain cognizant of the impact our business has on the community. As a co-operative, we continue to go beyond our call of transactional responsibility to our customers and respond to needs of the most vulnerable around us through sponsorships and donations to groups such as children homes and underfunded slum/ rural schools.

CIC GROUP

5. Our Sustainability

Our three key pillars of sustainability are Social, Economic and Environment. Their focus ensures we enhance our relationship with our stakeholders. This optimizes our partnerships with co-operative movement in Kenya, South Sudan, Uganda and Malawi to ensure long-term sustainability of our business. Initiatives include;

1. Enhanced customer experience is the most powerful strategy towards growing our customer and market share.
2. Transformation initiatives that will be key in growing profitability and the assets sustainably.
3. Continued digitization of our services and investments in innovative technology. We need to collaborate with insure techs to achieve excellence.
4. Develop Innovative products and services to dominate Kenya market & the region.
5. Focus on our growing core customers in Co-operatives providing excellent opportunity for growth of business with over 20,000 Saccos.
6. Focus on the growing economy with new sectors.
7. Well motivated, talented and engaged team with over 500 staff.
8. Strong governance, risk and compliance framework.
9. There are six subsidiaries in Kenya and the regions, creating synergies to grow revenues across various lines.
10. Enhanced operational efficiency, cost optimization, debt management and system uptime.

6. Our Material Issues

1. Capital adequacy and solvency ratios.

Management continue taking the necessary analysis and reviews to ensure compliance. Measures include;

- Consistently monitoring premium and other receivables such as tax receivable, unsecured loans and other prepayments to reduce inadmissible assets.
- Identifying loss making accounts for review when considering renewal
- Monitoring the product mix and its effect on the resulting risk capital charges.

2. Covid – 19 pandemic

Due to the uncertainities created by the pandemic, management continue monitoring the business trends and making adjustments to reflect any adverse experience.

3. Deferred Tax Asset

Management continue reviewing and analyzing the profit trends in order to utilize the asset within the allowable regulatory timelines.

4. Loans

Balance Sheet and Capital Management are key areas of the business. The Group and its Subsidiaries parcels of land are in the process of being disposed off.

7. Our Operating Environment

7. Our Operating Environment

KENYA

Gross Domestic Product (GDP)

Gross Domestic Product growth (GDP) for quarter four (Q4) 2020 contracted by 5.7% mainly driven by a sharp decline in accommodation services, education and transport sectors. GDP ex-education sector was positive at 2.8% in Q3'20, signifying its drag on growth following closure of learning institutions. The enforcement of tighter containment measures occasioned by the unrelenting Covid-19 and concerns around our national debt management makes it difficult to spur growth.

Interest Rates

The CBK retained its benchmark rate at 7% in Q4 2020, opining that policy measures implemented since March 2020 were having the intended effect on the economy. Short-term rates rose slightly in Q4 2020 with the 91,182 and 364-day papers closing at 6.93%, 7.40% and 8.34% respectively.

Inflation Rates

Inflation averaged 5.26% in Q4 2020 largely due to a rise in food prices of select items and pent up consumer demand as business activity and mobility improved. The Kenya shilling lost 0.62% to the dollar closing at 109.17. Dollar demand remained persistent, as thin inflows prevailed, pushing the shilling to historic lows of 111.59 Mid-December.

Currency

The Kenyan shilling lost 0.62% to the dollar closing at 109.17. Dollar demand remained persistent, as thin inflows prevailed pushing the shilling to historic lows of 111.59 Mid-December. The CBK intervened to help smooth the depreciation, however, the quickly depleting reserves has raised concern over the degree of future interventions despite their current adequacy (over 4.5 months import cover).

Equity Market

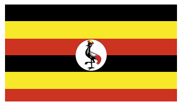
Both the NASI and NSE-20 registered gains in Q4 2020, of 8.74% and 0.87% respectively. Foreign investors remained net sellers as they diverged from frontier markets in the wake of persistent negative sentiment.

Property

The residential sector average y/y total returns to investors closed at 4.7% in FY'20. The real estate sector recorded moderate activities with a general decline overall. The pandemic forced many businesses to restructure and enforce work-from-home policies, which greatly reduced commercial space uptake and lowered rental yields. Travel restrictions caused a major slow down to the hospitality sector and constrained financing to both developers and buyers as financiers aimed to limit exposure amidst increased loan deferrals and defaults.

SOUTH SUDAN

The economy contracted by 3.6% in 2020. The economic activity was disrupted by the Covid 19 containment measures while the agricultural sector was adversely affected by the locust invasion and floods. However, the peace dividend, rebound in oil production and exports coupled by the increase in the global oil prices and easing of the containment measures especially reopening of the county's borders with Kenya and Uganda will enhance the partial economic recovery in 2021.



UGANDA

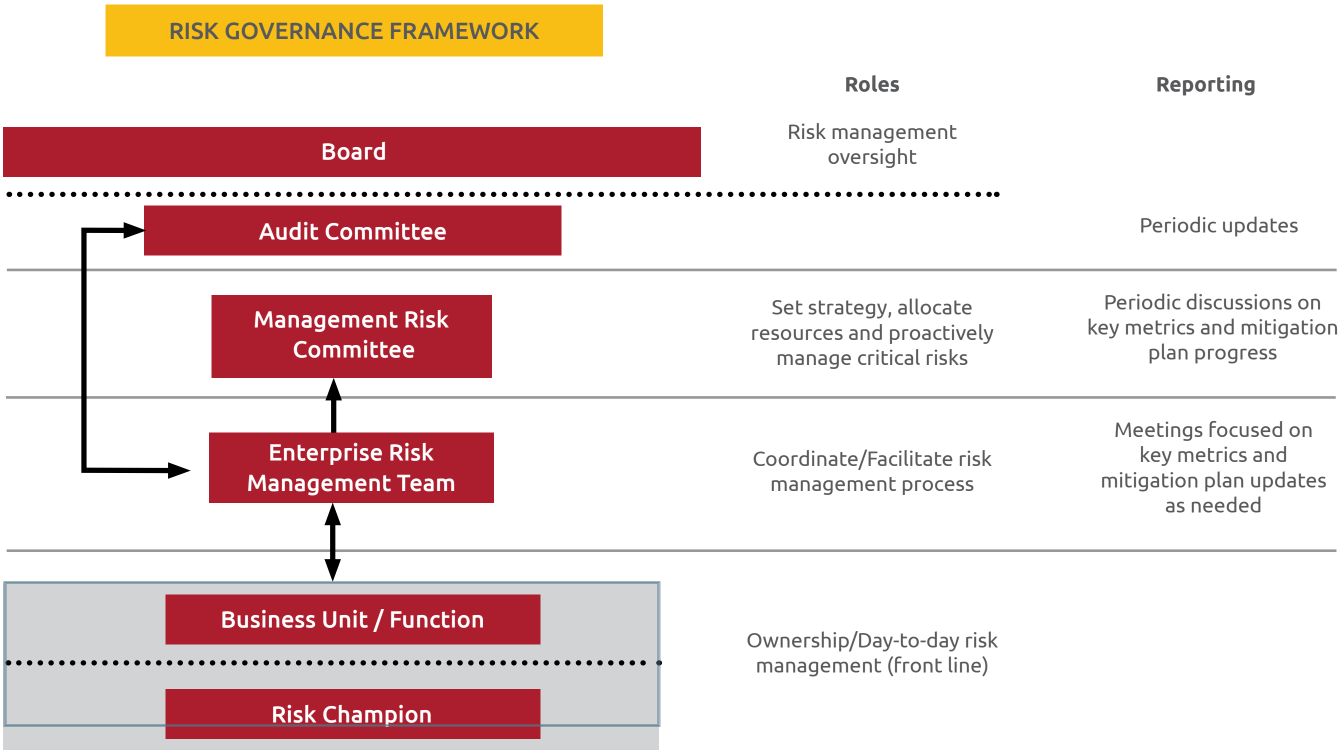
The Ugandan economy was estimated to have grown by 2.9% year on year in the Q4 of FY 2019 to 2020 a significant improvement compared to the revised contractions of 6.1% and 0.1% respectively in the quarters to June 2020 and September 2020. Inflation remains favorable reflecting a combination of both global and domestic developments.

MALAWI

Growth in Malawi's economy decelerated in 2020 to 1.7% from 5.7 % in 2019. The slowdown in GDP growth was driven by the outbreak of COVID–19, which necessitated a partial lockdown of the economy, resulting in subdued economic activities.

8. How we manage our Risks

CIC Risk Governance is based on the principles of Enterprise-wide Risk Management (ERM). This approach ensures a clear Tone at the top, shared risk management responsibility and accountability, while ensuring escalation of risks from the shop floor (Risk Champions) to the board level.

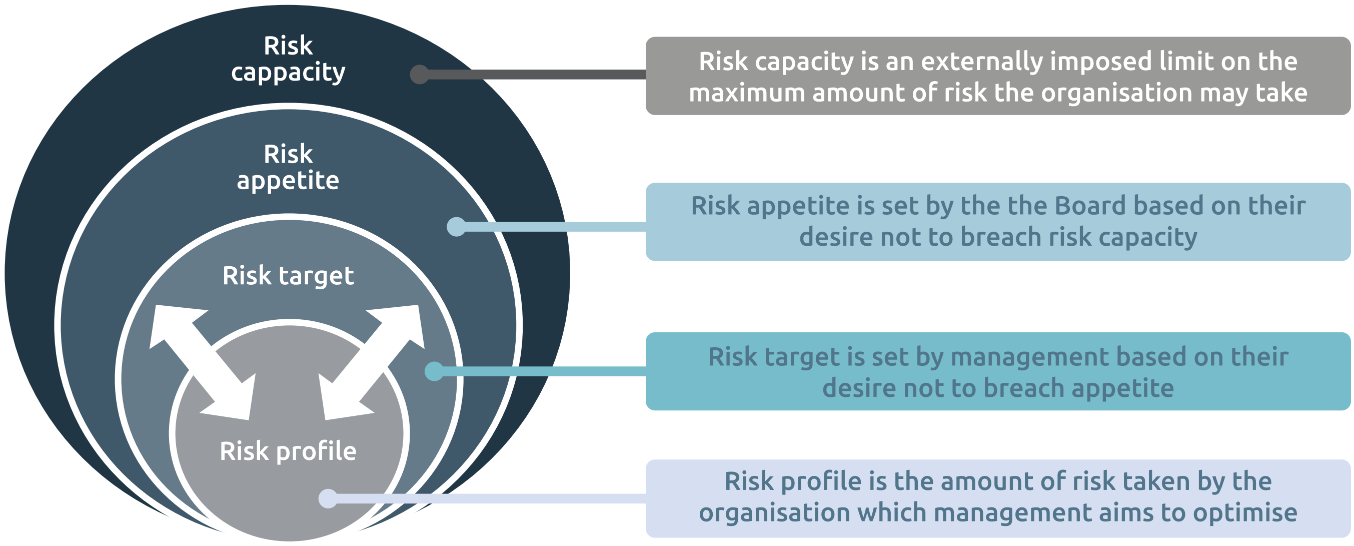


Risk Tolerance and Appetite

CIC has established and maintains a risk appetite statement which sets out its overall quantitative and qualitative risk appetite levels and defined risk appetite limits, which takes into account all relevant and material categories of risk and the relationships between them. A clearly articulated risk appetite framework is based on the approved strategy. This has been cascaded across risk types is a critical element of prudential business management and successful ERM, and ensures that CIC has effective processes in place to operate within the expectations of key stakeholders and within CIC's financial capacity.

The components of the risk appetite system are illustrated be the figure below

8. How we manage our Risks *(continued)*



Business Continuity Management (BCP)

CIC Insurance Group has a robust business continuity plan that covers disastrous events that is, any internal or external event that may cause unacceptable interruption in essential business processes. The primary objective of this Business Continuity Plan is to ensure the continued operation of identified critical business operations in the event of a disaster.

In 2020 we were faced with challenges around business continuity by the COVID 19 pandemic; CIC was able to adopt to the new operating environment and continue its operations, this was made possible by our Business Continuity Plan which created a guide of operations within a Health and Safety Disaster.

9. Our Strategic Pillars

a. One CIC

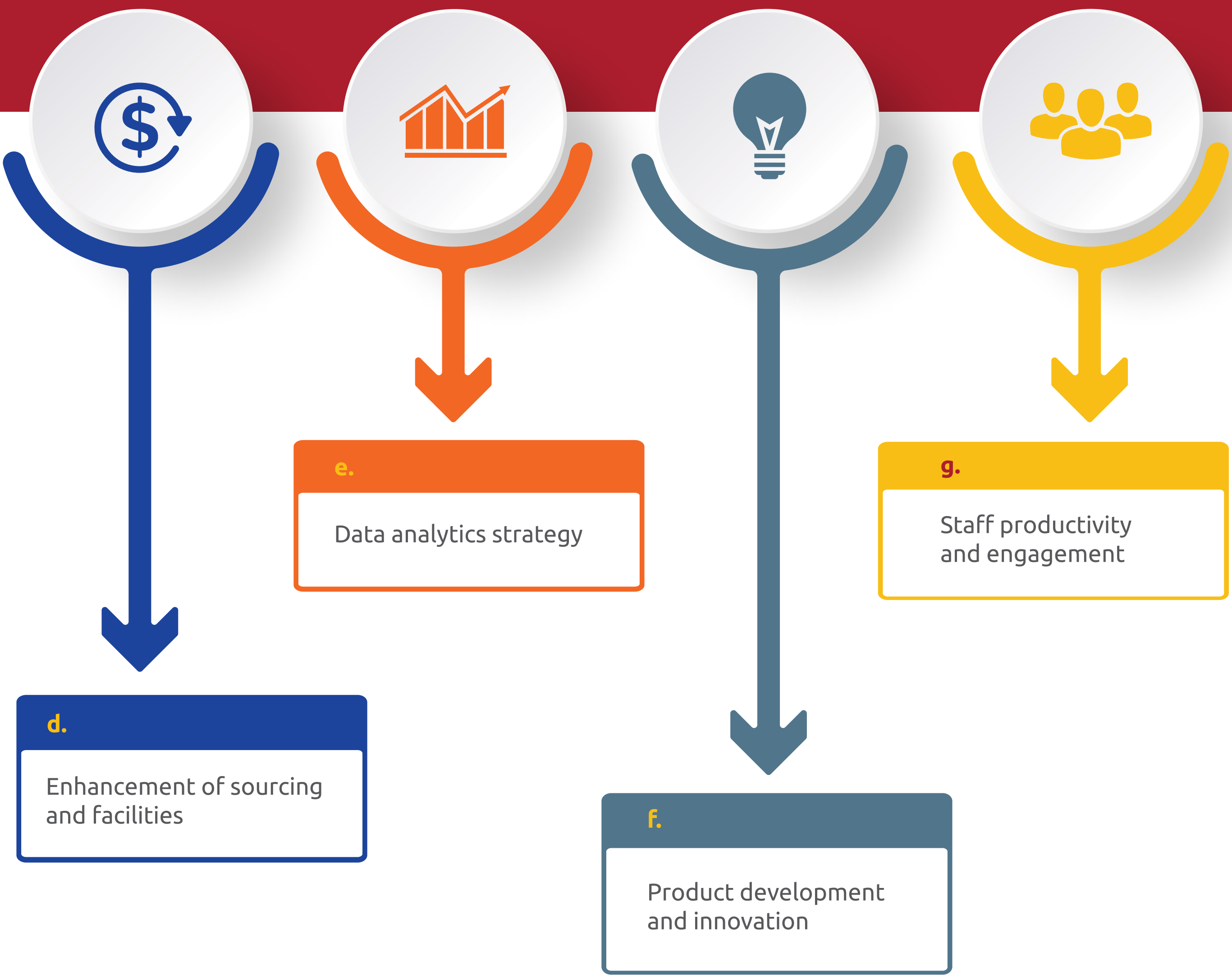
Restricting the branch management and reporting structure to sell all the products. The various staff in the branches will be given the necessary skills.

b. Digitization:

Implementation of our digital strategy to enhance access of insurance products and ease of doing business by our customers.

c. Operational efficiency

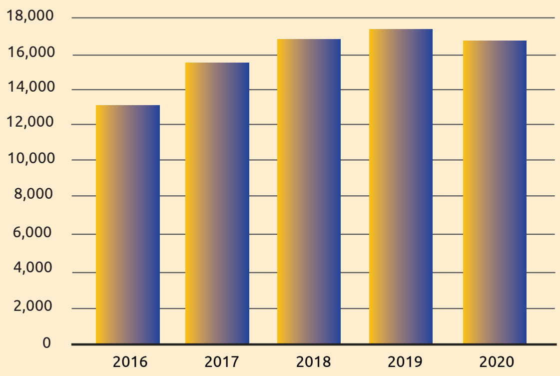
- System uptime
- Debt management
- Business and process re-engineering


d.
Enhancement of sourcing and facilities
e.
Data analytics strategy
f.
Product development and innovation
g.
Staff productivity and engagement

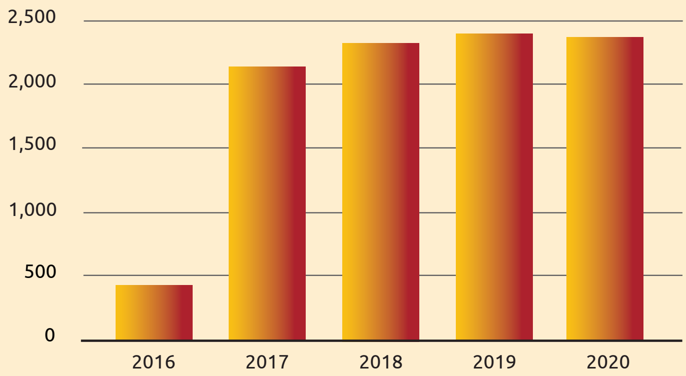
10. Business Review

Financial Highlights

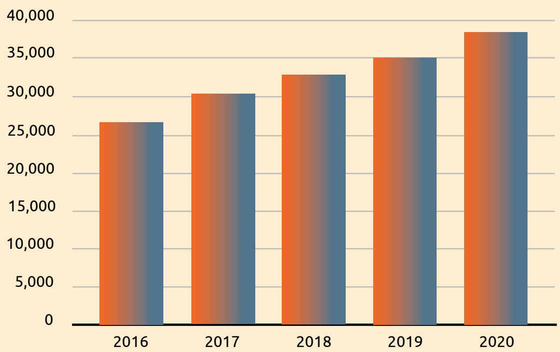
Gross Written Premium
(KShs m)



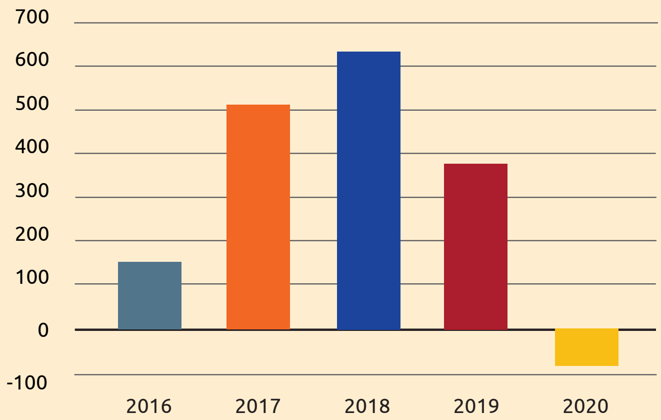
Cashflows from operations
(KShs m)



Total Assets
(KShs m)



Profit Before Tax
(KShs m)



10. Business Review (continued)

Group Highlights

GWP 2020
16.9b
GWP 2019
17.6b
4%

The Group registered GWP of Kshs.16.9 billion which is a 4% decline from prior year. The net earned premiums declined by 3%. Investment and other incomes declined by 6%. The total expenses including claims grew at 1% from prior year. The Group Pretax loss stood at Kshs. 79.5 million compared to Kshs. 385.5 million profit in the prior year.

General Business Highlights

GWP 2020
10.1b
GWP 2019
10.6b
4%

The Company reported a profit before tax of Kshs 254.4 million compared to a profit of Kshs 340 million reported in 2019. The Combined Gross Written Premium was Kshs 10.1 billion representing a 4% decline from prior year performance. Positive Investment returns were from fixed deposits Kshs 191 million, Government securities Kshs 355 million, Unit Trusts Kshs 65 million and rental Income Kshs 142 million, Commercial papers and corporate bonds Kshs 11.5 million. The property market growth continued to stagnate, and therefore there were no revaluation gains for the year under review.

Life Business Highlights

GWP 2020
4.9b
GWP 2019
5b
3%

Combined Gross Premium written was Kshs. 4.9 billion which was 3% decline compared to prior year Kshs. 5 billion. The primary focus in 2020 was the underwriting profits, or operational profits. These are profits derived from the operations of the business excluding the other avenues of income such as Investment Income (primarily government instruments and commercial papers), Equities and gains from property. This performance is measured by ensuring that the combination of Claims, Commissions and Expenses (otherwise known as Combined Ratio), do not exceed Earned Premium and Reinsurance Commissions. A Combined Ratio of less than 100% results in Underwriting Profit.

CIC Asset Business Highlights

Income 2020
725.4m
Income 2019
528.6m
4%

Comprehensive income totaled Kshs.725.4 million for Q4 2020 compared to Kshs.528.6 million in Q4 2019. The Kshs.130 million year-on-year increase was primarily due to a Kshs. 142 million increase in management fees resulting from increased funds under management from 51 billion to 74 billion and a Kshs. 12 million decrease in investment incomes, Pension management fees stood at Kshs. 21 million while unit trust management fees were at Kshs.462 million.

CIC Africa South Sudan
Highlights

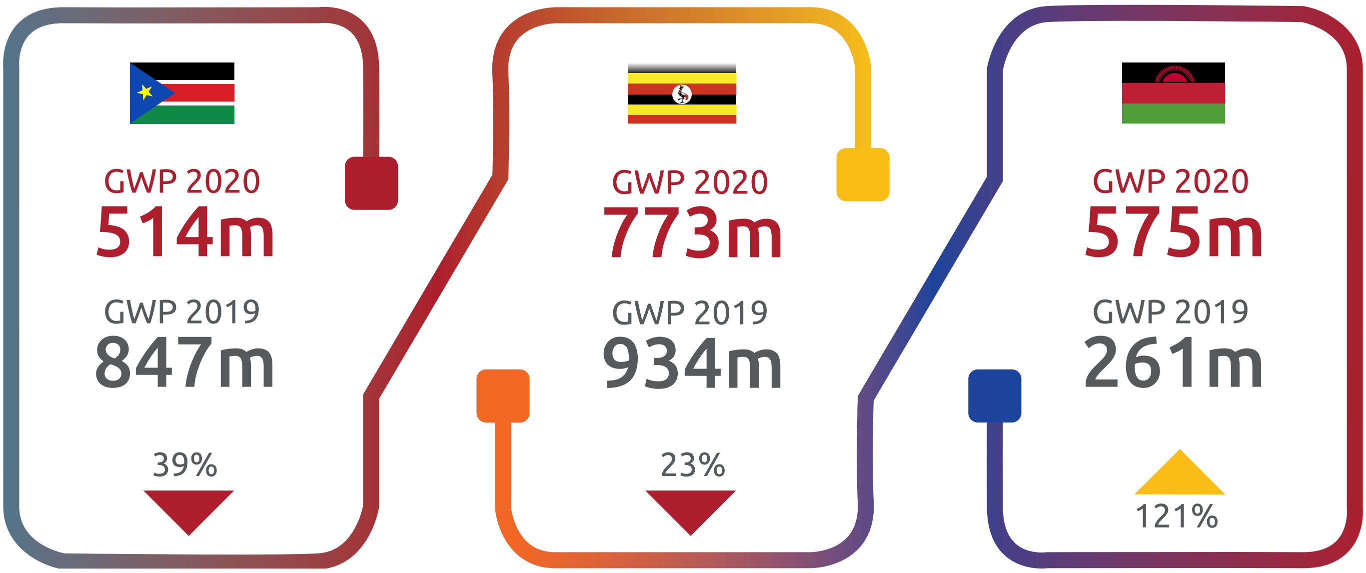
Gross written premium declined by 39% to Kshs 514 million from Kshs 847 M in Q4 2019. Net earned premiums was down 6% to Kshs 608 million compared to Kshs 648 million in the same time last year. The company continued to perform well on Investment income, which grew by 33% to Kshs 37.8 million from Kshs 28.4 million in Q4 2019.

CIC Africa Uganda Business
Highlights

CIC Uganda gross written premium declined by 23% to Kshs 773 million as compared to Kshs 934 in 2019. Net earned premium also declined by 6% to Kshs 443.7 million from Kshs 485.6 million in 2019 reflecting the decline in the company's topline. Investment income grew by 19% to Kshs 69.9 million from Kshs 58.9 million in 2019 and is attributable to the increase in funds under investments in the period.

CIC Africa Malawi Business
Highlights

CIC Africa Malawi continued on a growth trajectory with the gross written increasing by 121% to Kshs 575 million from Kshs 261 million in 2019. Net earned premium also gained 76% to Kshs 393 million reflecting the significant growth in the topline over the last 12 months and prior year releases. Investment income grew by 29% to Kshs 34 million.




ASSET
We keep our word
to protect your FINANCIAL NEEEDS

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Introduction

CIC Insurance Group has been responding to the insurance and investment needs remaining true to our mission of enabling people achieve financial security. Guided by our values of Dynamism, Integrity, Performance and Cooperation, we endeavor to be in touch with the community within which we operate.

As a leading insurer and financial service provider, we have committed to be responsive to society needs by carrying out initiatives that add value in the community.

Despite the Covid-19 pandemic adversely affecting the country in 2020, CIC Group was able to participate in a number of activities and give back to society while observing the Ministry of Health directives.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

CIC Sponsors AMREF wellness festival

A study by the Ministry of Health in 2015 records that in Kenya Non-Communicable Diseases (NCDs) account for more than 50 per cent of inpatient admissions and 40 per cent of hospital deaths. The financial burden associated with the cost of healthcare and other related expenses pushes individuals and households into a cycle of poverty, which ultimately slows down economic progress of a people or community.

Insurance is a critical component in healthcare and as stakeholders we recognize the effect of non-communicable diseases in our society. In support of the government's national strategy for prevention and control of non-communicable diseases, CIC Insurance Group sponsored the AMREF wellness festival in Nairobi. The aim of the festival was to create awareness on the rising cases of non-communicable and lifestyle diseases affecting many people in Kenya. The festival integrated family friendly activities to educate the masses on health, fitness and proper nutrition. Some of the activities included inline skating, dance, a 21km cycling circuit, 5 km family fun run, a children's play area and free family wellness check-up.

Participants at the AMREF wellness festival

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

Educating needy and bright students through CIC Foundation

CIC Foundation continued to support needy and bright students by offering high school scholarships to children from a cooperative background. One of the foundation's objective in its mission to contribute to socio-economic development is to promote education opportunities for the less privileged in society. Education is a great tool in inspiring societal change and has the power to transform young people into becoming change agents in their communities. As an equalizer that bridges the gap between the rich and the poor, education gives the underprivileged an opportunity to thrive and change the living standards in their community. CIC Foundation gave back to the society by continuing the scholarship program, assisting 89 students to access quality education in public secondary schools across the country.

Beneficiaries pose for a photo during the launch of the foundation.

Spreading love to the less fortunate

In celebration of Valentines, a day embraced by CIC Insurance Group as an opportunity to show care and concern for those living around us, CIC staff visited Chemi Chemi Primary School in Nairobi's Kibra Subcounty for the second year. Earlier visits to the institution revealed that many pupils attended the school to get a meal for the day. In response to the challenges faced by the pupils, CIC staff members raised funds to buy foodstuffs, sanitary towels, and stationery required by the candidates who were preparing for their KCPE exams. The visit by CIC staff also included inspirational talks to class eight pupils ahead of their examinations.

CIC staff present foodstuffs to pupils of Chemi Chemi Primary in Kibra Subcounty.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

Golf for charity

We know that education is one of the most important investments a country can make for its future. In order to continue promoting access to quality education, CIC participated in the Rotary Club of Karengata inaugural charity golf tournament. The charity golf tournament themed "education for every child" aimed at supporting the building and equipping of Kiptulwo Primary School with three classrooms, a toilet and a water tank.

General Manager Marketing and Customer Experience awarding one of the Golf winners at a golf event sponsored by CIC Insurance Group Plc.

Spending time with the needy.

As Covid-19 became a reality in Kenya, many citizens struggled with the challenges presented by the disease and the containment measures. Majority of the institutions dependent on well-wishers suffered due to a reduction in donor support arising from a slowdown in the economy. The new normal presented a different way of living, which was unusual and unexpected. As patriotic citizens, CIC staff chose to stand with those affected. The staff visited Mwamko children's home based in Soweto slum, Nairobi County. CIC staff in partnership with Chandaria Industries were able to donate foodstuffs, facemasks and toiletries to the institution. The home takes care of children between the ages of four and eighteen years

CIC staff (1st and 2nd left) take a moment to present donations to the children at Mwamko home, Soweto.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

CIC supports Cooperatives and CMA in the fight against Covid-19

CIC Group takes pride in being the major cooperative insurer in Kenya. The company has been serving the cooperative movement in Kenya for over 50 years. The cooperative movement in Kenya has over 14 million members, touching lives and households across the country. Just like other member bodies in the country, the cooperative movement has been widely affected by the global pandemic. Reports by cooperative leaders indicated that many members were struggling with the effects of the pandemic, among them reduced income streams owing to the effects of Covid-19 on the economy.

The cooperative movement in collaboration with the State Department for Cooperatives established the Cooperative Coronavirus Response Committee (CCRC) as a platform to assist 500,000 affected households. As a member of the response committee, and in line with cooperative principle of concern for community, CIC Group donated one million shillings to the Co-op kitty in the effort to reach the members affected by Covid-19. In the same spirit, CIC made a one million shillings donation through our regulator the Capital Markets Authority (CMA). We take pride in contributing to the well-being of our society, which defines who we are as a cooperative organization.

R-L: CIC GM for Cooperatives Mr. Richard Nyakenogo presents the company's Covid-19 donation to the PS Cooperatives Mr. Ali Noor Ismail and the Co-operative Coronavirus Response Committee Chairman, Eng Francis Kamande HSC.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

STAKEHOLDER ENGAGEMENT

CIC Insurance has a wide range of stakeholders composed of customers, investors, shareholders, employees, regulators, government, suppliers, the media, and community members. As an organization, we work closely with our stakeholders to realize our objectives while remaining true to our purpose. In our understanding, realizing our goals will require working closely with our stakeholders to provide shareholder value. CIC recognizes the role played by stakeholders and seeks to nurture relationships for organizational growth.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

Working closely with Cooperatives

Cooperatives are our major shareholders. As part of our market segments, they continue to support the company in the consumption of our products and services. Some of the products offered to cooperatives include group life cover, medical insurance, and the Kamati cover for board members.

In 2020, CIC launched a governance and management training program that benefited cooperative leaders. The aim of the program was to offer member education and training that would contribute to personal and institutional growth to over 1000 cooperative leaders in the country. Our involvement includes joining cooperative members in landmark celebrations as we endeavor to add value to their lives.

CIC General Manager Branch Distribution speaking to cooperative members at a leaders meeting.

Celebrating CIC Staff

The International Women's Day celebrates the social, economic, cultural and political achievements of women while also calling to action the need to accelerate gender equality. CIC Group took an initiative to mark the day where outstanding staff members received awards for being pace setters and contributing to the growth of their fellow female colleagues. The day featured an engaging inspirational talk from actor and motivational speaker, Muthoni Gatheca

Motivational speaker Muthoni Gatheca addressing CIC staff at the forum.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

Engaging insurance agents and brokers

CIC is committed to its strategic goal of becoming the leading insurer in Kenya. To achieve this will require constant engagement with all our business partners as we work towards growing our market share. CIC organized stakeholder forums to appreciate insurance agents and brokers who form part of our major distribution channels. The platforms provided an opportunity for the company to identify learning areas and strategic changes that would best position the company as the go-to insurer for our intermediaries. CIC continues to enjoy a fruitful business relationship with brokers and agents, with a reputation as a company that keeps its word.

Ag. Managing Director CIC Life Assurance Mr. Jack Kionga addressing intermediaries at a breakfast meeting.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Engaging customers

CIC Group takes pleasure in engaging customers who are the reason for our existence. Our products and services are designed for the needs in the market. In order to remain consistent in our product offering and services, we take time to appreciate and listen to our clients. We do this as we aim to differentiate ourselves in the market through excellent customer experience.

***Above:** CIC Business Development Manager Joseph Ngige (left) presents a gift to the winner at the Railways Lady Captain Prize*

Golf tournaments provide a platform to engage existing and potential customers. In 2020, we were able to sponsor the Railways Lady Captain's Prize and Royal Captain's Prize golf tournaments in Nairobi. The sporting events provided an opportunity for us to engage with our existing customers in the golfing fraternity, create awareness on our products to potential customers, as well as position CIC as a leading insurer and financial services provider. The interaction allowed us to identify the areas of strength and the challenges to address in order to reach potential market segments.

CIC staff Mary Mugambi awarding our Agent Watson Njenga of Farscope Insurance Agency at a golf event sponsored by CIC Insurance Group Plc.

GROUP CHAIRMAN'S STATEMENT

On behalf of the Board and Management of CIC Insurance Group, I am delighted to present the annual report and financial statements for the year ended 31st December 2020.

2020 was generally a tough year and unprecendeted on many accounts due to the Covid-19 pandemic. The pandemic led to devastating loss of livelihoods with economic and social distruptions felt worldwide. Amidst the disruption, it was also a extraordinary year for CIC. The company appointed a new Chief Executive Officer Mr. Patrick Nyaga, whom the Board is confident shall steer the company to greater heights.

Kenya's economy contracted by 1.1% in Q3 2020 averaging at 0.6% for the first three quarters, compared to 5.5% in a smilar period in 2019. Inflation in Q4 2020 rose to 5.3%, from 4.3% in Q3 2020, bringing the 2020 average to 5.4% compared to 5.2% in 2019. The inflation was driven by food inflation and fuel inflation following an increase in international oil prices, coupled with measures imposed in public transport to contain the spread of COVID-19.

Owing to business performance, we issued a profit warning in line with the regulatory requirements by CMA. The profit warning arose primarily from the poor performance of the stock market that led to reduced return on equities and the property market being tight with limited opportunities to dispose properties to support the offsetting of financial charges. However, the group remains confident that the Covid-19 mitigation strategies coupled with transformational initiatives will give business the impetus for sustained growth.

GROUP CHAIRMAN'S STATEMENT

Business Performance

CIC Group's asset base grew by 10% from KShs 35.3 billion to KShs 38.8 billion. Gross written premium in 2020 declined by 4% from KShs 17.7 billion to KShs 16.98 billion. Net earned premiums as result, decline by 3%, from 14.4 billion to 13.9 billion. The group reported a loss before tax of KShs 80 million down from a profit before tax of KShs 386 million in 2019.

CIC General registered a drop in gross written premium by 4%, from KShs 10.7 billion to KShs 10.2 billion in 2019. The company's profit before tax reduced by 25% from KShs 340 million to KShs 254 million in 2020.The decline in written premiums is attributed to a 13% drop in our non- medical revenues. Schools closure and reduced transportation affected our Motor commercial class. This business was also affected by rampant undercutting as market players attempted to secure business.

CIC Life Assurance gross written premium fell by 1.4% from KShs 5 billion to KShs 4.93 billion. Profit before tax declined by 47% from KShs 163 million to KShs 86 million. The decline in profit resulted from an increase in claims, actuarial reserves and losses in equities. Cooperatives business has been the back bone for the life company even in this unprecedented times and accounts for the majority of the uptake in our products. We will continue to align our co-operatives' operating model to ensure that we build strong business relationships in the cooperative movement. Further, our commitment towards addressing customer concerns especially in claim settlement continues to inspire confidence with our customers contributing to our leadership position in industry.

CIC Asset Management maintained a strong performance closing the year with KShs 74 billion of assets under management, compared to KShs 51 billion in 2019. Profit before tax went up by 48% from KShs 244 million to KShs 361 million. We remained the leading overall player in the Unit Trust market with a market share of 41.1%, an increase from 39.1% in 2019.

This growth is due to customer confidence, support, and excellent service where we have delivered fast and reliable service to clients. Having a team of wealth advisors that have knowledge and expertise on investment matters has also influenced the growth.

Outside Kenya, our regional offices registered mixed performances despite harsh economic and political environments in all three countries, namely South Sudan, Malawi and Uganda. South Sudan registered a gross written premium of KShs 514 million down from KShs 848 million in 2019. Gross written premium for CIC Uganda was KShs 774 million down from KShs 935 million, while CIC Malawi registered a gross written premium of Kshs 575 million up from KShs 261 million. Regional subsidiaries contributed 11% to the Group's written premium.

Governance and Oversight

During the period under consideration, several Board directors achieved their term limits and subsequently exited various subsidiary boards and also the Group board. At the Group board level, two board members: Nelson Kuria and Patrick Nyaga were appointed after vetting by Nomination Committee. We are committed to ensuring that the Group's operations comply with sustainable business practices.Covid19 changed the mode of several of our operations. Notably, we conducted board meetings, AGMs and any other extra ordinary meetings remotely. This ensured that we always kept tabs with the various aspects of the business in fulfillment of our fiduciary role.

Further details of the roles and composition of the respective committees are provided within this report.

New Group Strategic Plan

CIC Group unveiled a new 2021 – 2025 strategic plan with theme "I will give you every place where you set your foot" taken from the biblical book of Joshua 1:3. Why this theme? A significant proportion of our aspirations for the period 2014 -2018 were not achieved. This theme however recognises the vast landscape of business oppportunity available to us if we are willing to step out, understand it and capture it. The new strategy presents an opportunity for the group to rewrite its future and return to profitable levels and optimism it has enjoyed in the past.The strategic plan is guided by 10 key transformation initiatives with implementation matrices which will unlock CIC's potential as a leading financial services player.

I am confident that CIC will not only succeed in executing this Strategic Plan, but will surpass all targets set and be Kenya's undisputed number one insurer by the end of the period.

To our Shareholders

Despite the challenges in the global economy, CIC has remained resilient and I am confident that we are equipped to withstand whatever comes our way. The Group has not paid dividends for two years in a row due to the underlying performance. We recognise shareholders right and the importance of a dividend. We as a Board shall work hand in hand with management to ensure our collaborative effort raises the group's performance for the benefit of shareholders.

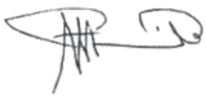
Future Outlook

Our place in the industry is affirmed by the recognition we continue to receive in form of awards in the different lines of business. We owe this to the dedicated staff who so passionately discharge their duties. We shall continue to improve our offer for our customers, further strengthening our brand.

We shall also continue to be proactive in enhancing our governance oversight to ensure that we guide the group to a promising future.

On behalf of the Board of Directors, I wish to thank all our shareholders and stakeholders for your support and the confidence in us.

Thank you.



Japheth Magomere, OGW
Chairman CIC Group

TAARIFA YA MWENYEKITI, CIC GROUP

Kwa niaba ya halmashauri na wasimamizi wa CIC Group, nina furaha kuu kuwasilisha ripoti kuhusu shughuli za kampuni na taarifa ya kifedha katika kipindi kilichomalizika tarehe 31 mwezi Disemba mwaka wa 2020.

Mwaka wa 2020 ulikuwa mwaka mgumu uliolemaza mambo mengi kutokana na athari za janga la Korona (Covid-19). Janga hili limesababisha watu wengi kupoteza tegemeo la kujimudu, likasambaratisha uchumi na utangamano kote ulimwenguni. Licha ya kuvurugika huku, CIC Group imepiga hatua za kipekee. Kampuni ya CIC Group ilimteua Afisa Mkuu Mtendaji Bw. Patrick Nyaga, ambaye, kama Bodi ya Wakurugenzi, tunaimani ataweza kuiendesha CIC hadi upeo tunaotazamia.

Uchumi wa Kenya ulipunguka kwa asilimia 1.1 kati ya mwezi wa Juni hadi Agosti 2020, kima cha asilimia 0.6 kwa muda wa miezi ya kwanza tisa, ikilinganishwa na asilimia 5.5 kwa muda huohuo mwaka uliotangulia wa 2019. Mfumuko wa bei kati ya mwezi Octoba na Disemba ulifikia asilimia 5.3, kutoka asilimia 4.3 miezi mitatu awali, ikiashiria mfumuko bei wa kiasi cha asilimia 5.4 mwaka we 2020 ikilinganishwa na asilimia 5.2 mwaka wa 2019. Mfumuko huu ulichangiwa pakubwa na kupanda kwa bei ya chakula na mafuta ya petroli katika soko la kimataifa pamoja na vikwazo vya usafiri ili kudhibiti msambao wa viruisi vya Covid-19.

Kutokana na kuathirika kwa biashara, tulitoa tahadhari kuamabatana na sheria za Mamlaka ya Masoko ya Mitaji (Capital Markets Authority, CMA). Tahadhari hii ilichangiwa pakubwa na kudorora kwa Soko la Hisa kulikosababisha kufifia kwa mapato ya hisa. Fursa za biashara kwenye soko la rasilmali zilipungua na hivyo

TAARIFA YA MWENYEKITI, CIC GROUP

kuzuia kuuzwa kwa rasilmali ili kushusha gharama ya fedha. Licha ya haya yote, CIC Group inaimani kuwa kuzingatia mikakati iliyowekwa ya kudhibiti kusambaa kwa virusi vya Covid-19, pamoja na mipango iliyopo ya kuimarisha biashara, tutaweza kuendelea kutanua fursa za uzalishaji.

Hali ya Biashara

Rasilmali za kampuni ziliongezeka kwa asilimia 10 kutoka KShs Bilioni 35 hadi KShs Bilioni 38.8. Jumla ya Bima iliyonakiliwa ya mwaka wa 2020 ilipungua kwa asilimia 4 kutoka KShs Bilioni 17.7 hadi KShs Bilioni 16.98. Malipo halisi ya bima pia yalishuka kwa asilimia 3, kutoka KShs Bilioni 14.4 hadi KShs Bilioni 13.9. CIC Group ilipata hasara ya KShs Milioni 80 kabla ya kutozwa ushuru, ikilinganishwa na faida ya KShs Milioni 386 mwaka wa 2019.

Bima ya Jumla (General Insurance) ya CIC iliyonakiliwa ilipungua kwa asilimia 4, kutoka KShs Bilioni 10.7 hadi KShs Bilioni 10.2 mwaka wa 2019. Faida ya kampuni kabla ya kutozwa ushuru ilipungua kwa asilimia 25 kutoka KShs Milioni 340 hadi KShs Milioni 254 mwaka wa 2020. Kupunguka kwa bima zilizonakiliwa kuliathiri mapato yetu yasiyohusiana na tiba. Kufungwa kwa shule na usafiri kuliathiri kitengo chetu cha uchukuzi wa kibiashara. Biashara pia iliathirika kutokana na mbinu za kichinichini kwenye ushindani wa kupata biashara.

Bima ya Maisha iliandikisha kupunguka kwa jumla ya mapato kwa asilimia 1.4 kutoka KShs Bilioni 5 hadi KShs Bilioni 4.93. Faida kabla ya kutozwa ushuru ilishuka kwa asilimia 47, kutoka KShs Milioni 163 hadi KShs Milioni 86. Upungufu huu ulitokana kuongezeka kwa fidia, kulimbikiza akiba na hasara kutokana na athari za Soko la Hisa. Vyama vya ushirika ndivyo uti wa mgongo wa CIC Group, wakiwa ndio wateja wetu wakuu hata biashara ikiwa imevurugika. Kwa hivyo tutaendelea kuimarisha mfumo wetu kwa kuwa na ubia wa nguvu kwenye nyanja hii ya ushirika. Pia tutaendelea kushughulikia tetesi za wateja wetu hasa kwa fidia ili tudumishe imani yao na mchango wao kwetu unaotuweka kileleni cha sekta hii ya Bima.

Usimamizi wa rasilmali wa CIC ulitamba na kufunga mwaka na KShs Bilioni 74 za mali iliyo chini ya usimamizi wao, ikilinganishwa na KShs Bilioni 51 mwaka wa 2019. Faida kabla ya kutozwa ushuru iliongezeka kwa asilimia 48 kutoka KShs Milioni 244 hadi KShs Milioni 361. Hatukupoteza nafasi yetu ya kwanza ya uwekezaji Amana tukiwa na mgao wa soko wa asilimia 41.1, ikilinginganishwa na asilimia 39.1 mwaka 2019.

Tumekua kwa sababu ya imani ya wateja wetu, kuwashughulikia, na huduma murwa tunayowapa upesi kuambatana na mahitaji yao. Kuwepo kwa wataalam wa uwekezaji wenye ujuzi na uzoefu pia kumechangia kukua kwa kitengo hiki.

Nje ya Kenya, afisi zetu za kanda zilirekodi matokeo mseto licha ya hali ngumu kibiashara na kisiasa kwenye nchi tatu za Sudan Kusini, Malawi na Uganda. CIC South Sudan wakiwa na jumla ya bima iliyonakiliwa ya KShs Milioni 514, ikilinganishwa na KShs Milioni 848 mwaka 2019, CIC Uganda wakiwa na jumla ya bima iliyonakiliwa ya KShs Milioni 774, ikilinganishwa na KShs Milioni 935, na CIC Malawi ikiwa na bima iliyonakiliwa ya KShs Milioni 575, ikiwa ni ongezeko kutoka KShs Milioni 261. Matawi hayo ya kanda yalichangia asilimia 11 ya mapato kwa jumla ya CIC Group.

Utawala na Uangalifu

Haya yote yakiendelea, wakurugenzi kadha walimaliza muda wao na wakastaafu kutoka kwa mashirika tanzu na pia kwenye bodi ya CIC Group. Katika bodi kuu, Dkt. Nelson Kuria na Bw. Patrick Nyaga walichaguliwa baada ya mchakato wa uhakiki na kamati ya uteuzi. Ni azma yetu kuhakikisha kwamba utendakazi wa kampuni unazingatia sheria endelevu zinazoimarisha biashara. Janga la Covid-19 limebadilisha taratibu nyingi za kuendesha biashara, mfano mikutano ya bodi, AGM na shuguhli za dharura ikibidi zifanyiwe nyanjani. Haya yalihakikisha uendeshaji wa shughuli za kila siku na uwajibika wetu kwa wateja wetu. Maelezo zaidi ya majukumu na kamati husika yanapatikana ndani ya ripoti hii.

Mpango Mkakati Mpya

Kampuni ya CIC Group imezindua Mpango wa Mikakati ya Uimarishaji 2021-2025 (Strategic Plan 2021-2025), kauli mbiu yake ikiwa “I will give you every place you set your foot”, nukuu ya Bibilia kutoka kitabu cha Joshua 1:3. Pengine unajiuliza kwa nini mada hii? Matarajio yetu mengi ya muda wa kati ya mwaka wa 2014 hadi 2018 hayakutimia. Wito huu unaashiria fursa *tulionayo katika uwanda huu wa biashara ikiwa tuko tayari kuondoka, kuelewa na kutumia fursa kikamilifu. Tukizingatia maarifa yaliyomo katika mpango mpya ulioidhinishwa, tutakua na fursa ya kipee ya kutunga upya maono ya siku za usoni na pia kurejesha CIC katika kiwango cha uzalishaji kinacho leta faida na matumaini mema kama ilivyokua hapo awali. Vigezo kumi vya mikakati ya uimarishaji pamoja na muundo mpya wa utekelezaji vitaiwezesha CIC kusheheni na kutambulika kama bingwa wa maswala ya kifedha.*

Ninahakika kwamba CIC, mbali na utekelezaji wa yote yaliyomo kwenye mpango huu mpya na mikakati, tutatimiza na tutapita malengo yote yaliyowekwa na kuwa shirika tajika la bima nchini Kenya tutakapo karibia mwisho wa muda wa mpango huu.

Kwa Wanahisa Wetu

Licha ya kuzorota kwa uchumi ulimwenguni kote, CIC imeendelea kujizatiti na nina imani kwamba tunazo mbinu za kustahimili yote tutakayokumbana nayo. Kampuni ya CIC Group haijalipa mgao wowote wa hisa kwa muda wa miaka miwili mfululizo kulingana na mapato yetu. Tunatambua kwamba ni haki ya kila mwenye hisa kupata mgao wake. Kwasababu hii, bodi inanuia kushirikiana bega kwa bega na usimamizi wa kampuni kuhakikisha utendakazi wetu unazalisha faida kwa wenye hisa wetu.

Mustakabali wa Baadaye

Nafasi yetu katika sekta hii imejikita na kutambuliwa kila tunapopata tuzo mbalimabali katika vitengo tofauti vya biashara yetu. Haya yote ni kutokana na bidii na kujitolea kwa wafanyikazi wetu. Tutaendelea kuwajibika uongozini na kuhakikisha ungalifu bora ili tuweze kutimiza maono yetu yote.

Kwa niaba ya Bodi ya Wakurugenzi, ninatoa shukrani kwa wenye hisa wetu wote na wadau kwa ushirikiano na imani mliyonayo kwetu sisi.

Asanteni sana.

Japheth Magomere, OGW
Mwenyekiti CIC Group

BOARD OF DIRECTORS

Mr. Japheth Anavila Magomere OGW
GROUP CHAIRMAN

Mr. Japheth Anavila Magomere aged 70, Joined the Board in 2014. Mr. Magomere is the President of the International Cooperative Alliance (ICA) Africa and the Vice President of ICA Global. He is the Director representing Nairobi Region Private Sector based societies. He has been the Chairman of CIC Insurance Group PLC since 2004. He has been a Delegate of Co-op Holdings Cooperative Society (the anchor shareholder of Co-operative Bank) since 1986 and is a Member of the Institute of Directors of Kenya. He serves as the Chairman of Cooperative Alliance of Kenya and is the Honourable Secretary of Maisha Bora Sacco. He has been a Council member of East African Farmers Federation since 2008 and joined the board in 2017. Japheth is the current Chairman of the National Council for Ushirika Day Celebrations, Africa Chapter and a Board Member of several secondary schools. He was honoured with the Order of the Grand Warrior of Kenya ("OGW") in 2009.

Mr. Peter Kipkirui Nyigei
GROUP VICE CHAIRMAN

Mr. Peter Kipkirui Nyigei aged 69, joined the Board in 2012. He is a Non-Executive Director representing CIC Insurance Group Plc, a major shareholder. He is currently the secretary of Sinendet Tea Multipurpose Society and a director of Imarisha SACCO. Mr.Kipkirui is a retired teacher and was also a principal. He served as a Programme Officer and a trainer in Early Childhood Education in Bomet, Nakuru, Baringo and Kericho Counties. The Director has undertaken General Insurance Business and several Corporate Governance trainings and is a member of the Institute of Diretors of Kenya.

Mr. Patrick Nyaga
GROUP CHIEF EXECUTIVE OFFICER

Mr. Patrick Nyaga aged 53, Joined the Board in the year 2020 as an Executive Director. Mr. Nyaga holds a master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting. He is a Certified Public Accountant (K) and a member of ICPAK. Mr. Nyaga has over 29 years working experience mainly banking and auditing. He has worked in various senior positions in banking. Prior to joining CIC Group Ltd he was the Group Finance and Strategy Directorat Cooperative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) as the Regional Head of Assurance and at KPMG (EA), with the main focus being audit of financial institutions in Kenya and the region. He is a member of the Institute of Directors of Kenya and has undertaken training in several Corporate Governance courses including in Insurance Business.

Mr. Gordon Ondiek Owuor
DIRECTOR

Mr. Gordon Ondiek Owuor, aged 65, is a Non-Executive Director and representing CIC Insurance Group Plc, a major shareholder. Mr. Owuor is the Chairman of Jumuika (formerly Chemelil) Sacco, a member of the Nyanza Provincial Co-operative Development Team and a Member of the Institute of Directors-Kenya. He previously worked with the East African Fresh Water Fisheries Research Organization and currently is the chairman of Loyalty Refined Limited.He holds an executive Diploma in Financial Management. The Director has undertaken training in specialized Life Assurance Business Management conducted by LIMRA and several corporate governance training courses.

Mr. Michael Ondinya Wambia
DIRECTOR

Mr. Michael Ondinya Wambia, aged 53, is a Non-Executive Director and representing CIC Insurance Group Plc, a major shareholder. The Director also holds a diploma in Education Management from KEMI (Kenya Educational Management Institute) and is a Member of the Institute of Directors Kenya. He is also a delegate in Cooperative Bank of Kenya Limited and has undertaken training in specialized Life Assurance Business Management conducted by LIMRA and various corporate governance training courses. He has under gone extensive training on Corporate Governance by International Finance Corporation (IFC).

Mrs. Rosemary Majala Githaiga
DIRECTOR

Mrs. Rosemary Majala Githaiga aged 58, Joined the Board in 2019. Mrs. Githaiga has over 25 years' experience as a lawyer and is the former Group Company Secretary of the Cooperative Bank of Kenya Limited. She is a graduate of Nairobi University, LLB (Hons), and has a Post Graduate Diploma in Legal Studies from Kenya School of Law. She is an Advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries (CPS (K), an Associate Member of the Chartered Institute of Arbitrators, a member of the Institute of Directors of Kenya and a member of Women Corporate Directors (WCD) Kenya Chapter. She is an accredited governance auditor and consultant. Rosemary also serves as a director on the boards of the Co- operative Bank of South Sudan and CIC Africa Insurance (SS) Limited.

BOARD OF DIRECTORS

Mr. James Njue Njiru
DIRECTOR

Mr. James Njue Njiru aged 54, Joined the Board in 2019. Mr. Njue represents Eastern Region based societies at the Co-operatives Insurance Society Limited. He is the Chairman of Nawiri Sacco Society. He is also a Director of Coop Holdings Co-operative Society and the Cooperative Bank of Kenya Ltd. Mr. Njiru is a member of Board of Management for various schools in the Eastern Region. He holds a diploma in Business Management from the Kenya Institute of Management. He is also a member of the institute of Directors of Kenya.

Ms. Jyoti Patel
DIRECTOR

Ms. Jyoti Ishwarbhai Patel, aged 51, joined CIC Life Assurance Board as an Independent Non-Executive Director in May 2018. She has considerable working experience, in the executive management teams specializing in accountancy, finance and risk management. Ms. Jyoti is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a fellow member of Association of Chartered Certified Accountants (FCCA). She is trained on Corporate Governance by International Finance Corporation (IFC) and certified in Enterprise Risk Governance by Enterprise Risk Management Academy (ERMA). She holds an MBA from Warwick Business School, UK.

Dr. Nelson Kuria, OGW, MBS
Director

Dr. Nelson Kuria aged 67, Joined the Board in the year 2020 as an Independent Non-Executive Director. He holds a BA in Economics, MA in Leadership studies and an Executive Leadership training from Stanford Business School. The Director has 36 years of experience in development finance and insurance. He entered the insurance industry in 1982 through Kenya National Assurance Company as an assistant Manager in charge of Research and rose to the position of Chief Manager General Insurance Division and later also served as the General Manager in Gateway insurance Company. He was the CIC Insurance Group CEO from 2001 to 2015. Dr. Kuria is currently the Chairman of Smep Microfinance, Enwealth Financial Service and African International University Council. He is also a Board Member of Kenyatta National Hospital, Habitat for Humanity and Kenya Society of Professional Co-operators.


LIFE
We keep our word
to secure your CHILD'S EDUCATION

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders

It is my pleasure to report on the steadfast progress that we continue to make on our journey of transformation as CIC Insurance Group Plc. We have been able to lay the foundation upon which we shall transform CIC Group into a world class insurance provider. The year 2020 was exceptionally difficult; predominantly due to the Covid 19 pandemic with its devastating effects to the global economy and the loss of lives. CIC Group however, demonstrated agility by responding swiftly to all the new challenges presented by the pandemic ensuring business continuity across all our subsidiaries and business lines.

Industry Performance Overview

The Insurance industry as a whole was impacted by the COVID-19 pandemic with industry profits declining from pre-tax profits of KShs 13.24 billion in 2019 to KShs 7.79 billion in 2020 despite a growth in industry gross written premiums of 1.8% to KShs 233 billion from KShs 229 billion in 2019. Long term [Life] insurance grew by 4.5% while Short term [General] insurance declined by 0.2%. General Insurance was the largest contributor to the industry contributing 56.2% of the total premium.

Financial Performance Overview

The financial performance of the year ended 31 December 2020 reflects the volatile business environment we operated in; but also demonstrates the benefits of diversified business lines in terms of product offering and geography of the Group. Gross Written Premium declined marginally by 4% to KShs 16.98 Billion. On profitability, the Group recorded a loss before tax of KShs 80 million down from a profit before tax of KShs 386 million in 2019. This was attributable mainly to a one-off Kshs 274 million loss in monetary position recorded in the South Sudan subsidiary upon first time adoption of IAS 29 (financial reporting in hyperinflationary economies), negative returns on equities due to poor performance in equities market as well as a prudent management action of increasing reserves across business lines. The regional subsidiaries posted a varied performance

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

in 2020, with CIC Malawi increasing profits by 175% while CIC South Sudan and CIC Uganda profits dipped notably.

The group continued to register a strong growth in the balance sheet with total assets increasing by 10% to KShs 38.8 Billion.

Insurance and asset management business amidst the pandemic

Covid-19 impacted many business including insurance. We experienced a slowdown in business across our various markets of operations leading to a decline in Gross Written Premiums (GWPs) from prior year positions as reflected in our results. However, the asset management business registered a growth in money market fund attributable to higher disposable incomes and thus savings available for investment resulting from lower income taxes and declining spending needs during the lockdown.

Insurance distribution channels were highly impacted by physical distancing and remote working due to dependency on sales agents for the bulk of insurance products' distribution. Our response has been to adopt online platforms with increase in virtual interaction with customers' for sale of products.

Non-medical classes of Motor Private and Motor Commercial were negatively impacted by schools' closure. Reduced transportation also affected our Motor commercial class, with several customers requesting for 3rd party only covers.

We have witnessed a spike in Covid related death claims in our life business towards the end of 2020 and the beginning of 2021 as the country entered into the second wave of Covid-19 transmission. There was also a sharp increase in surrenders as household incomes suffered. Consequently, reduction in new business under Individual Life and increased claims, in addition to the performance of the yield curve, resulted in increased actuarial reserves.

The equities market has been on a downward trajectory in the Covid-19 period; this has had the most impact on performance from the standpoint of negative returns and increasing of reserves.

Our response to Covid-19

Our priority has been to safeguard our staff and customers during the pandemic and to this end we instituted a number of measures which include:

- Staff working in shifts in order to adhere to physical distancing guidelines issued by the ministry of health (MOH). Staff have been facilitated with Virtual Private Networks (VPNs) to work remotely;
- Transfer of most of our services into the online platform in order to serve our customers at their convenience and also to ensure minimal physical contact;
- Flexible payment terms to distressed clients following the insurance regulator directive on extension of premium holidays to insurance debtors; and
- Strategic capital expenditure controls in light of the pandemic. The savings are geared towards strengthening our capital reserves, improving our liquidity and safeguarding shareholders value during the pandemic.

Strategy

In 2020, the Group developed a 5 year Corporate Strategic Plan 2021-2025 under pinned by key transformational Initiatives.

We have implemented agile, flat structures that facilitate speed in execution of tasks, are responsive to the demands of today's business realities, yet simultaneously adhere to best practice internal controls and processes so as to eliminate or at worst, minimise financial loss.

A high performance culture shall be necessary to ensure our plans are executed as envisaged. We have therefore overseen the revision of performance matrices across the group to enhance measurement of output and ensure accountability by all individuals for work done. In a bid to improve our performance management processes, a new appraisal tool was introduced towards the end of 2020. This tool transitioned us from the Balanced Score Card (BSC) model to Key Performance Indicators (KPI) model starting with Quarter 1 2021 appraisals. We shall also be keen on ensuring that our staff get appropriate training and required support at all times to ensure they are well equipped to perform to the highest standards.

The group faces a number of system related challenges ranging from dated systems to new system implementation shortfalls. As we must embrace cutting-edge technology in order to remain relevant, we are keen on ensuring that the necessary investment is made not only in ICT systems but in our staff as well to keep them updated with latest technological trends.

CIC Group remains Africa's leading co-operatives insurer. This is not a position we take for granted. On the contrary, we shall continue to penetrate the co-operative market space to increase our share of co-operatives in the country. We shall also seek to protect our market share through building strong partnerships with all co-operative stakeholders through joint activities such as training; offering relevant products and policies driven by research and leveraging on technology to reach out to the members of the co-operatives and not just the body corporate.

Outlook

Not withstanding the Covid-19 Pandemic, the Group is keen on ensuring business activity continues to improve. Thus we shall continue to refine our product offerings and remodel our business processes to ensure that our customers can access our products remotely. As an example, we have developed CIC Dawa Mlangoni, a medication delivery service that enables customers have their prescriptions delivered to their doorsteps.

I am confident that, with the implementation of the 2021 -2025 strategic plan transformation initiatives and sustenance of Covid -19 mitigation measures, we shall achieve our targeted business goals.

Acknowledgments

I sincerely appreciate our customers for their loyalty and confidence in the Group. To our CIC staff, I thank you for the commitment to duty and dedication to serve that continues to make CIC a key player in the insurance industry.

My appreciation to our partners for the cordial business relationship that we enjoy, I look forward to success in 2021 and beyond.

Finally I would also like to thank the Board of directors for the support and guidance that they have accorded me and the management team.

Thank you and may God bless you.

Patrick Nyaga
Group Chief Executive Officer

TAARIFA YA AFISA MKUU MTENDAJI, CIC GROUP

Wanahisa Wapendwa,

Ni furaha yangu kuwasilisha ripoti inayoonyesha hatua thabiti tulizopiga katika safari hii yetu ya kuimarisha Kampuni ya CIC Group. Tumefaulu kuweka msingi bora ambao tutakita mabadiliko yatakayotuwezesha kuinua CIC Group na kuifikisha kiwango cha ushindani wa hali ya juu ulimwenguni. Mwaka wa 2020 umekua mgumu, hasa kutokana na janga la Korona ambalo limelemaza uchumi kote ulimwenguni na kusababisha vifo vingi. Licha ya masaibu haya, CIC Group imeonyesha ukakamavu na wepesi wa kupambana na changamoto kila inapojitokeza katika nyanja zetu zote za biashara.

Utendakazi wa Sekta ya Bima kwa Ufupi

Sekta ya Bima iiliathirika na janga la Korona na kusababisha mapato kufififa, kabla ya kutozwa ushuru, kutoka KShs Bilioni 13.24 mwaka wa 2019, hadi KShs Bilioni 7.79 mwaka wa 2020 ingawa jumla ya bima ilionakiliwa iliongezeka kwa asilimia 1.8 na kufikia KShs Bilioni 233 kutoka KShs Bilioni 229 mwaka wa 2019. Bima ya Maisha (Life Insurance) ilikua kwa asilimia 4.5, na Bima ya Ujumla (General Insurance) ikashuka kwa asilimia 0.2. Hata hivyo, Bima ya Ujumla ndiyo iliyochangia kiwango kikubwa zaidi cha mapato kwa asilimia 56.2 ya malipo.

Ripoti ya Fedha kwa Ufupi

Utendakazi wa kifedha wa mwaka uliokamilika tarehe 31 Desemba 2020 uliashiria kuvurugika kwa biashara; na wakati huo huo, kudhihirisha umuhimu wa kuwa na muundo mseto wa uzalishaji na uwasilishaji wa bidhaa unaotambulisha ramani ya CIC Group. Jumla ya malipo yaliyonakiliwa ilishuka kidogo kwa asilimia 4 hadi KShs Bilioni 16.98. Kampuni ya CIC Group lilipata hasara, kabla ya kutozwa ushuru, ya KShs Milioni 80 ikilinganishwa na faida ya KShs Milioni 386 mwaka wa 2019. Sababu kuu ilikua ni hasara ya KShs Milioni 274 kutoka kwa kampuni tanzu ya CIC South Sudan baada ya matumizi ya IAS 29 kupitishwa (mfumo wa kuripoti hali halisi ya fedha katika Uchumi wa mataifa yenye mfumuko bei wa hali ya juu), mapato hasi kutokana na kudorora kwa biashara katika Soko la Hisa na usimamizi madhubuti kwa kulimbikiza akiba katika kila kitengo cha biashara. Kampuni tanzu za CIC zilipata matokeo tofauti mwaka wa 2020, CIC Malawi wakiongeza faida

TAARIFA YA AFISA MKUU MTENDAJI, CIC GROUP

kwa asilimia 175, CIC South Sudan na CIC Uganda zikipunguza faida si haba.

Licha ya hayo, Kampuni ya CIC Group imekua kwa kuongeza rasilmali kwa kiwango cha asilimia 10 hadi KShs Bilioni 38.8.

Bima na Biashara ya Usimamizi wa Rasilmali kukiwa na Tandavu

Janga la Korona limeathiri biashara nyingi ikiwemo ya Bima. Tumeshuhudia kulemazwa kwa biashara katika soko zetu zote na kumechangia kupungua kwa jumla ya malipo ya bima yaliyonakiliwa ikilinganisha na mwaka uliotangulia kama ilivyoonyeshwa kwenye matokeo yetu. La kutia moyo ni matokeo mazuri ya biashara ya usimamizi wa rasilmali hasa uwekezaji wa fedha kutokana na ongezeko la hela mfukoni baada ya kupunguziwa ushuru wa mapato na kutoghramika sana kutokana na kusitishwa kwa usafiri na utangamano.

Vituo vingi vya usambazaji bima viliathiriwa na sheria za kutotangamana na maagizo ya kufanyia kazi nyumbani ikizingatiwa kwamba uuzaji wa bima unategemea sana ma-ajenti ili kusambaza bidhaa mbali mbali. Hivyo basi imetubidi kujumuisha matumizi ya mtandao ili kuwasiliana, kuuza na kuwashughulikia wateja wetu.

Bima ya Magari ya Biashara (Motor Commercial) na ya Kibinafsi (Motor Private) zisizojumuisha Bima ya Afya ziliathirika kutokana na kufungwa kwa shule na pia kupunguka kwa usafiri kwa jumla kulichangia wateja wetu kupendelea 3rd Party Insurance.

Vifo vinavyohusiana na athari ya Covid-19 pia vimeongeza kiwango cha fidia kwa waliofiwa hasa mwishoni mwa mwaka wa 2020 na mwanzo wa 2021 wakati nchi ilikumbwa na wimbi la pili la maambukizi ya Covid-19. Pia, idadi ya wateja waloidai malipo ya bima kabla muda wake kufika ilipanda kutokana na uhaba wa pesa. Hivyo basi biashara mpya hasa za Bima ya Maisha iliathirika kutokana na madai ya malipo, utathmini wa mapato, yote haya yakisababisha nyongeza ya limbikizo la akiba.
Soko la Hisa halikusazwa na athari hii ya Covid-19; jambo ambalo limechangia pakubwa mapato hasi na haja ya ulimbikizaji wa akiba.

Tulivyokabiliana na Tishio la Covid-19

Usalama wa wafanyikazi na wateja wetu ulipewa kipaumbele kupitia mikakati ifuatayo:

- *Kufanya kazi kwa zamu ili kupunguza mtagusano wa watu pamoja na utaratibu kulingana na mwelekeo wa wizara ya Afya nchini Kenya. Wafanyikazi pia wamewezeshwa kuendelea kufanya kazi kupitia mtanadao pepe binafsi (VPN) popote walipo;*

- *Tumehamisha huduma zetu nyingi mtandaoni ili tuweze kuwajibikia wateja wetu wakati wowote ule bila mtagusano;*

- *Tumerahisisha masharti ya kulipa bima hasa kwa wateja walioathirika zaidi baada ya maagizo ya mdhibiti wa maswala ya bima nchini kwamba tuongeze muda kwa wale tunaowadai. Mwisho*

- *Mikakati kabambe ya udhibiti wa matumizi ya mtaji (Capital Expenditure) wakati huu wa janga la Korona. Akiba hii itasaidia pakubwa kuimarisha limbikizo la mtaji, kuboresha uwepo wa pesa taslim kwa biashara na kulinda thamani ya wenye hisa.*

Mikakati na Mipango

Mwaka wa 2020, kampuni ya CIC Group ilitengeneza mpango wa mikakati ya kuimarisha kundi kati ya mwaka 2021 hadi 2025 (Corporate Strategic Plan 2021–2025), mipango ya uimarishaji ndizo msingi wa fanaka zikizingatiwa kikamilifu.

Tumeanzisha utaratibu mpya, mwepesi na usio na mikingamo ambao utarahisisha utendakazi, ulinganifu na hali halisi ya biashara bila kukiuka sheria na mwongozo uliopo ili kuepuka, au ikibidi, kupunguza hasara.

Uzoefu wa utendakazi wa hali ya juu utahitajika ili tuweze kutimiza mipango na azma yetu. Basi imebidi pia tubadilishe vigezo vya utendakazi kwenye Kampuni ya CIC Group ili tuweze kupima uzalishaji na uwajibikaji wa kila mtu kulingana na kazi anayoifanya. Kama njia ya kuimarisha utaratibu na usimamizi wa utendakazi, imebidi tubadilishe mfumo wa kukadiria thamani *tukielekea mwisho wa mwaka wa 2020. Mfumo huu umetutoa kutoka matumizi ya Usawazishaji wa Matokeo (Balanced Scorecard) hadi mfumo wa Vigezo maalum vya Utendakazi (Key Performance Index) tukianza utathmini huu baada ya miezi mitatu ya kwanza mwaka huu wa 2021. Tutahakikisha wafanyikazi wote wanapata mafunzo na msaada wowote utakaowawezesha kufanya kazi kwa kiwango cha juu.*

Kampuni ya CIC Group inachangamoto kadhaa, kama kutumia mifumo ya kidijitali iliyopitwa na wakati au hata kuwepo kwa mfumo mpya ambao hautumiki ipasavyo. Ili teknologia ya kisasa tuitakayo iimarishe biashara, hatunabudi kuhakikisha kwamba tunawekeza, sio tu kwa muundo msingi na mashine za kisasa, bali pia kwa kuwanoa wafanyikazi wetu ili waweze kutamba na mitindo inayojitokeza na kubadilika kila mara.

Kampuni ya CIC Group ndiyo inayoongoza barani Afrika kwa kutoa bima kwa vyama vya ushirika. Hii nafasi sio mchezo. Isitoshe, bado tunanuia kuendelea kupenya ndani zaidi ili tuongeze mgao wetu kwa vyama vya ushirika vilivyo thabiti. Tutaendelea kulinda mgao wetu wa soko kwa kuongeza ushirikiano na wadau wote wa ushirika kupitia mafunzo, uzinduzi wa bidhaa na sera, kupitia utafiti ulioafiki na matumizi ya teknologia ili tuwafikie wadau wote wa ushirika, sio tu wasimamizi wa mashirika mbalimbali.

Mtazamo

Bila kuhimili janga la Korona, Kampuni ya CIC Group inaazimia kuendelea kukuza biashara. Ni jukumu letu kuimarisha bidhaa zetu kwa ubunifu wa hali ya juu na kuhakikisha kwamba wateja wetu wanapata bidha zetu kupitia mtandao popote walipo. Mfano mzuri ni uzinduzi wa CIC Dawa Mlangoni, huduma inayohakikisha mteja anapokea dawa hadi nyumbani kwake.

Nina imani kwamba utekelezaji wa Mpango wa Mikakati ya Uimarishaji wa CIC Group kutoka mwaka 2021 hadi 2025 na kuzingatia mwongozo wa kujikinga kutokana na virusi vya Covid-19, utatuwezesha kutimiza malengo yetu.

Shukrani

Ninawashukuru sana wateja wetu kwa uaminifu wao kwetu na imani yao kwa CIC Group. Nawapa asante wafanyikazi wetu wote, kwa kujitolea kwenu kuendelea kuimarisha Kampuni ya CIC Group nakuifanya iwe nyota ya bima sio tu humu nchini, bali kwa bara zima la Afrika.

Shukrani zingine ziwaendee washiriki wetu tulio na ushirikiano nao kwa njia mwafaka ya kuendesha biashara, na ninaimani mwaka huu wa 2021 na mingi ijayo itakua ya fanaka.

Mwisho, ningependa kushukuru Bodi yetu ya Wakurugenzi kwa ushirikiano na mwelekezo walionipa mimi na Meneja wote wa CIC Group.

Asanteni sana na Mungu awabariki.

Patrick Nyaga
Afisa Mkuu Mtendaji, CIC Group

SENIOR MANAGEMENT

Mr. Patrick Nyaga

Mr. Patrick Nyaga aged 53, was appointed as Group CEO in the year 2020. Mr. Nyaga holds a master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting. He is a Certified Public Accountant (K) and a member of ICPAK. Mr. Nyaga has over 29 years working experience mainly banking and auditing. He has worked in various senior positions in banking. Prior to joining CIC Group Ltd he was the Group Finance and Strategy Director at Cooperative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) as the Regional Head of Assurance and at KPMG (EA), with the main focus being audit of financial institutions in Kenya and the region. He is a member of the Institute of Directors of Kenya and has undertaken training in several Corporate Governance courses including in Insurance Business.

Muyesu Luvai

Muyesu aged 43, is the Acting Group Chief Financial Officer. He is a Certified Public Accountant ("CPA (K)") and a member of the Institute of Certified Public Accountants of Kenya ("ICPAK"), the Chartered Institute of Internal Auditors UK, the Institute of Internal Auditors, Kenya Chapter, as well as the Institute of Directors, Kenya. He holds a Bachelor of Commerce Degree from the University of Nairobi and a Master of Business Administration (MBA) Degree with a concentration in Employee Relations /Organisational Behaviour from the University of Leicester (UK). Prior to his appointment as acting CFO on 3rd February 2020, Muyesu served as Chief Internal Auditor. Before joining CIC in 2008, Mr. Luvai worked for Deloitte in the Audit & Assurance Division. Prior to joining Deloitte, Mr. Luvai had a stint in the oil and gas industry working in the Finance Department of Dalbit Petroleum Limited.

Fred Ruoro

Mr. Fred aged 41, is the Managing Director CIC General Insurance Ltd. He holds a bachelor's degree in Mathematics & Physics from The University of Nairobi. In addition, he is a senior Certified Insurance Professional from the Australian & New Zealand Institute of Insurance and Finance and is a Fellow of the Life Management Institute. Fred holds a Diploma in Management Accounting from the Chartered Institute of Management Accountants (CIMA). Prior to joining CIC, he was the Managing Director of First Assurance Company Ltd. He is a member of good standing of the Insurance Institute of Kenya (IIK).

Stanley Mutuku

Stanley Mutuku - Stanley aged 47, is the Managing Director CIC Asset Management Limited. He holds an MBA (Double Major) in Finance and Strategic Management and a B Com (Double Major) in Business Administration, Management and Marketing. Professionally, Mr. Mutuku a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK), holds a postgraduate Diploma from the Chartered Institute of Marketing (UK) - CIM and Capital Market Specialist - INTERFIMA. He has over 25 years work experience in the financial services industry having worked for Old Mutual Kenya and Jubilee Insurance. He has worked in CIC for the last 10 years. He is also a licensed practitioner and member of ICIFA (K). Mr. Mutuku is also a Member of the Institute of Directors-Kenya. He is the Vice Chair of the CIS committee of the Fund Managers Association (FMA).

Jack Kionga

Mr. Kionga, aged 58, joined CIC Insurance Group Plc in 2007 as the Operations and Training Manager. Currently he is the Ag. Managing Director and Principal Officer, CIC Life Assurance. He has over 29 years work experience within the Insurance industry. Jack holds a Bachelor of Administration Degree (Hons), Executive MBA from USIU, Advanced Management Programme Executive Education Course from Strathmore Business School and IESE Business School. He is an Associate Member of the Insurance Institute, London (Chartered Insurer) in UK. Jack also sits in the Life Insurance Council of the Association of Kenya Insurers (AKI) and is the Convener of the AKI Group Life Committee.

Andrew Murunga

Murunga aged 44, is the Managing Director CIC Africa Insurance (SS) Limited. He has vast wealth of experience in the Insurance Industry both in Kenya and South Sudan He is a Bachelor of Education Degree (Maths/ Economics) graduate from Moi University and a holder of an MBA majoring in Insurance and Risk Management from the University of Nairobi in addition to a Diploma in Insurance from the Chartered Insurance Institute. He is a member of the Institute of Directors of Kenya, Chartered Insurance Institute - UK and The Insurance Institute of Kenya. His fruitful career in CIC started in 2009 as an Underwriter in the General Business.

SENIOR MANAGEMENT

Chrispinus O. Mugwang'a

Chrispinus O. Mugwang'a aged 49, is the Managing Director - CIC Africa, Malawi. He has an MBA - Strategic Management and a Bachelor of Commerce Marketing option both from Catholic University of Eastern Africa – (CUEA). He also has a Diploma in Life and Disability Underwriting of the Assurance Medical Society, London UK and a Diploma in Sales and Marketing of the International Association of Business Executives, London. He is an Associate of the Chartered Insurance Institute (ACII) and a member of the Society of Technicians in Insurance (MSTI). He has over 26 years work experience in the Insurance Industry.

Gail Odongo

Ms. Odongo aged 48, is the Group Company Secretary. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws ("LLB") Degree from the University of Liverpool and a Master of Business Administration ("MBA") from Salford University in the United Kingdom. Professionally Ms. Odongo is a Certified Public Secretaries ["CPS (K)"]. She holds a Post Graduate Diploma from the Kenya School of Law and has 13 years of experience in various capacities and industries ranging from Audit, Banking and Finance, Insurance and Legal. She is also a member of the Institute of Directors - Kenya.

Pamela Oyugi

Pamela aged 53, a seasoned HR Practitioner is the Group General Manager HR & Administration. She holds a Bachelor of Education Degree from University of Nairobi, Executive MBA (specializing in HRM) from Moi University and a Post Graduate Diploma in Human Resource Management from Kenya Institute of Management. She has undertaken several trainings both locally and internationally. She has over 18 years of work experience in various capacities, part of which is in the Insurance Industry. The most recent role prior to joining CIC, Pamela was the Head of HR & Administration at National Oil Corporation of Kenya where she was a member of the Senior Management Team and the Secretary to the HR Board Committee. She is a Full Member of the Institute of Human Resource Management (IHRM). Pamela has undertaken the Advanced Management Programme (AMP) from Strathmore University in 2015. She is also member of the Institute of Directors of Kenya. She is pursuing a Global Diploma in Executive and Leadership Coaching program offered at CDIAfrica Coaching Group; a premier Coach Training and Leadership Development Organization based in Nairobi Accredited by the International Coach Federation (ICF) since 2015. Pamela is a Mentor with One Girl Can (OGC) which is Non- Profit Organization that empowers and supports girls' education beyond primary level to university scholarship. Pamela joined CIC in 2013.

Susan Robi

Ms. Robi aged 42, is the General Manager Risk and Compliance. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws (LLB) Degree from the Makerere University and a Masters in Law and Finance from Goethe University (Institute of law and Finance) in Frankfurt Germany. Professionally Ms. Robi holds a Post Graduate Diploma from the Kenya School of Law and has over 10 years of experience in various capacities and industries ranging from both Local and International Law Practice, Insurance, Finance and Risk Management. Ms. Robi joined CIC Insurance Group Plc in 2011.

Henry Malmqvist

Henry aged 41, is the Group Chief Information Officer. He is a graduate of Institute for the Management of Information Systems (IMIS) Kent and is currently pursuing his MSc Information Technology Management at University of Sunderland. He is certified in Project Management, Information Security & Performance Management. Henry has 14 years' experience in ICT both within Kenya and the East African Region. He joined CIC in 2015.

Joseph Kamiri

Mr. Joseph aged 54, is the General Manager - Marketing & Customer Experience. He holds Bachelor of Commerce - Insurance Option from the University of Nairobi. He's an Associate Member of Insurance Institute of Kenya (AIIK) and an Associate Member of the Chartered Insurance Institute (ACII). He holds an MBA (Marketing) from the University of Nairobi. In addition, Mr. Kamiri has done the Advanced Management Program (AMP), from IESE Business School, Spain & Strathmore Business School, Kenya and has attended Negotiation, Mediation & Arbitration training from the International Law Institute (George Washington University-USA). Mr. Kamiri has over 25 years' experience in the Insurance business in both Kenya and the Global Emerging Markets. He joined CIC in 2014.

SENIOR MANAGEMENT

Richard Nyakenogo

Mr. Nyakenongo aged 53, is the General Manager - Co-operatives. He holds a Bachelors of Commerce Degree from Egerton University and Masters in Business Administration from Mount Kenya University. He has a Diploma in Co-operative Management from the Co-operative College of Kenya and a certificate in Corporate Governance from Center for Corporate Governance. Richard is an Associate Member of Insurance Institute of Kenya (AIIK), Member of Marketing Society of Kenya (MSK), Member of Institute of Directors of Kenya (IOD), a Certified Co-operative Professional (CCOP), and a Council Member of Kenya Society of Professional Cooperators (KSPC). He was involved in the transformation of Sacco's form Back office to Front office (FOSA). He joined CIC in 1999.

Michael Mugo

Michael Mugo aged 50, is the General Manager - Branch Distribution. He joined the Group in 2003 as an Agency Manager in Ordinary life. He has a total of 25 years' experience in the Insurance industry. He has served the organization in various senior capacities including Sales Management, Corporate Affairs and Communication, Marketing and Strategy. He has undergone extensive training in the areas of leadership, Governance, and strategic management. He is the immediate former MD, CIC Africa (South Sudan) and played a prime role in the establishment of the subsidiary in South Sudan. Michael is a graduate of the Advanced Management Program (AMP) from Strathmore Business School, Lagos Business School and IESE, Barcelona. He holds an MBA degree from JKUAT with special focus on Strategy and Marketing. He is a Bed (Econ & Geog) graduate of Moi University. He has extensive training and experience in institutions and business enterprises. He is a member of the Institute Of Directors of Kenya and the institute of Customer Service of Kenya. He effectively communicates direction, commits people to action, inspires vision and ownership of projects, and conveys complex information in easily understood formats.

Salome Wambui

Ms. Salome aged 34, is the Actuarial Manager. She holds a BSc (Hons) in Actuarial Science, Masters in Economics (Econometrics) and is a Fellow of the Institute and Faculty of Actuaries (IFoA) in the UK. Salome also holds certificates in Financial Econometrics, Mathematical Finance and New Managers Leadership Program from Strathmore Business School. She is also a member of The Actuarial Society of Kenya (TASK). Salome joined CIC Insurance Group Plc in 2014.


HEALTH
We keep our word
to nurture your FAMILY'S HEALTH

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2020

REPORT OF THE INDEPENDENT GOVERNANCE AUDITOR TO THE SHAREHOLDERS OF CIC INSURANCE GROUP PLC

INTRODUCTION

We have performed Governance Audit for CIC Insurance Group PLC covering the years 1 January 2019 to 31 December 2020 which comprised assessment of Governance Practices, Structures and Systems put in place by the Board.

BOARD RESPONSIBILITY

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organisation. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of the organisation. The Board is responsible for ensuring its proper constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organization within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper Board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management, based on our audits.

We conducted our audits in accordance with ICPSK Governance Audit Standards and Guidelines which conform to global Standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organizations policies, systems, practices and processes. We believe that our governance audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place effective, appropriate and adequate governance structures in the organisation which are in compliance with the legal and regulatory framework and in line with good governance practices in the interest of stakeholders.

………………………………………………………..

CS. Jacqueline Oyuyo Githinji, ICPSK GA. No 00030
For Umsizi LLP
31st March 2021

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

INTRODUCTION

The corporate governance agenda is driven at CIC Insurance Group PLC by the Board. The Board is keen to see to it that the ethos of corporate governance as spelt out in various legislations governing the operations of the company are observed. The legislations include the Kenya Companies Act 2015, the Insurance Act, the Capital Markets Authority Act, and the Capital Markets Authority Code of Corporate Governance Guidelines for issuers of securities, the Company's Articles of Association among others.

The Board is cognizant of the general expectation by stakeholders that it maintains the highest standards of corporate governance and it has in this regard institutionalized policies and processes and established robust frameworks that are necessary to the CIC Insurance Group's foundational pillars and mission to enable people achieve financial security.

This corporate governance statement has been prepared pursuant to the Code of Corporate Governance Guidelines for Issuers of Securities to the Public and the Board considers that the Group is generally consistent with the guidelines of the Code. Where the application and implementation of the code is still a work-in-progress, the Board has endeavored to explain the reasons measures its taking to comply with the code

GENERAL GOVERNANCE FRAMEWORK AT CIC INSURANCE GROUP PLC

The Group has institutionalized a robust corporate governance framework at all levels of the Group's strategic and operational spheres. The corporate governance framework, which the Board confirms is aligned to the global best practice was formulated to among other things:

i). Protect and enhance shareholders value by maintaining highest standards of governance, business behavior and transparency.
ii). Ensure the Board's accountability to shareholders and provide for an appropriate delegation of responsibilities to the Group Chief Executive Officer and the Board of Management; and
iii). Provide a platform for regular review of the Group's governance structure against the nationally and universally accepted guidelines and best practices.

Accordingly, the Board adopts policies and practices which reflect contemporary standards, incorporating the corporate governance recommendations and guidelines issued under the Kenyan legislative authority.

The responsibility for the strategic control of the Company is divided between shareholders represented at the Annual General Meeting, the Board of Directors supported by its three (3) Committees or any other ad-hoc committee that the Board may deem necessary to constitute. The Board is further assisted by the Group Chief Executive Officer and his Board of Management for all operational functions.

GENERAL MEETING OF SHAREHOLDERS

The Company convenes the AGM annually with a preference to convene it before the end June. A duly convened AGM are defined in the Companies Act, 2015 and the Articles of Association of the Company which powers include: approval of the Annual Accounts, approval of a dividend, nomination and election of directors.

During the reporting year, despite the Covid-19 pandemic and the stringent Public Health (Covid-19 Restrictions of Movement of persons and related measures rules) 2020, one Annual General Meeting was convened virtually on 29th September 2020, in line with the directions of the High Court in Misc. Application E680 mandating convening of general meetings under Section 280 of the Companies Act 2015.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

The shareholders having the right to attend the Annual General Meeting were notified by publication in the Daily Nation and the Standard on 4th September 2020. The agenda and relevant documentation were equally made available to those who had the right to attend the Annual General Meeting on the Company website.

The shareholders were given the possibility to electronically participate at the Annual General Meeting either in person or by appointing a representative. Proxy forms were made available to the shareholders in accordance with Article 87 of the Company's Articles of Association.

Shareholders were able to securely vote on poll by a USSD for those within the Kenyan jurisdiction while voting of those in the foreign jurisdiction was facilitated through a secure link sent via their verified email addresses.

CIC INSURANCE GROUP PLC BOARD OF DIRECTORS

RESPONSIBILITIES

The Kenyan Companies Act 2015, outlines the general scope and duties that directors owe to the company. Though the Articles of Association of the Company do not define the responsibilities of the Board, the Company's Board Charter has expressly spelt out the responsibilities of the Board.

The Board is responsible for Group's strategic direction and operation and has delegated certain responsibilities to the Group Chief Executive Officer and the Board of Management (BOM). The Board is committed to creating long-term value for investors and safeguarding the highest standards of governance, corporate behavior and accountability.

Board's responsibilities are set out in the Board Charter, and include:

i). Providing effective and ethical leadership in the best interests of the Company,
ii). Informing and setting the strategic direction of the company and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced,
iii). Determining and setting the tone of the Company values including principles of ethical business practice and the requirements to be a responsible corporate citizen.
iv). Bringing independent, informed and effective judgment to bear on material decisions of the Company.
v). Satisfying itself that the Company and group companies are governed effectively in accordance with corporate governance best practices to: -
  a). Maximize returns sustainably.
  b). Safeguard the people, assets and reputation of the Group; and
  c). Ensure an effective control environment and compliance with applicable laws and regulations.

vi). Ensuring that effective audit, risk management and compliance systems are in place and monitored to protect Group assets and to minimize the possibility of the Group operating beyond legal or regulatory requirements or beyond acceptable risk parameters as determined by the Board.
vii). Monitoring and implementation by the group companies, board committees and the board of management of the Board's strategies, decisions, values and policies with a structured approach to governance, integrated reporting and risk management.
viii). Governing the disclosure control process of the Company including ensuring the integrity of the Company's integrated report and reporting on the Company's system of internal controls.
ix). Ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible; and
x). Monitoring of the relationship between the Company and its stakeholders.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

The Board reviews the Group's Board Charter from time to time to reflect and cater for the business dynamics and the regulatory environment.
The Group Chief Executive Officer and some members of the BOM have appropriate employment agreements setting out their roles and conditions of employment. The Group Chief Executive Officer and BOM are responsible for:

i). developing and making recommendations to the Board on Group strategies and associated initiatives.
ii). managing and implementing strategies approved by the Board.
iii). formulating and implementing policies and reporting procedures for management.
iv). decision making compatible with the Group's delegated authority.
v). managing business risk and
vi). the day-to-day management of the Group.

The Group Chief Executive Officer's and some BOM's members' performances are reviewed regularly against objectives and measures set by the Board in annual performance appraisals. The Group Chief Executive's and some BOM's member's performance were evaluated during the reporting period on this basis.

CHAIRPERSON
During the reporting period, Mr. Japheth Magomere, OGW, first appointed in 2009, was the Chair of the Group's Board. Mr. Japheth Magomere, OGW, is a non-executive director. Mr. Magomere's overarching responsibilities are to provide leadership to the Board and to ensure the Board is well informed and effective. More information about the role of the Chairperson is contained in the Group Board Charter.

BOARD COMPOSITION AND DIRECTOR APPOINTMENT

The Board's composition is determined by the nature of the Group's business and the shareholding structure with particular attention being paid to the Board Charter and the Group's Memorandum and Articles of Association.

The following are the guiding principles in determination of the board composition:

i). The Company's shareholding structure;
ii). Maintenance of the requisite independence on the board;
iii). The sufficiency of the size of the Board as is necessary to attain the objectives of the company;
iv). Effective succession planning to ensure smooth transition on the board; and
v). Board diversity to ensure that there is the desired mix of skills, knowledge, expertise and experience to enable the board to discharge its duties effectively.

During the period under consideration, the Board comprised of eleven (11) directors: Japheth Magomere, OGW, Peter Nyigei, Michael Wambia, Gordon Owour, Jonah Mutuku (retired on 1/06/2020, Rosemary Githaiga, James Njue, Jyoti Patel, John Mbitu(retired on 01/06/2020 ,Nelson Kuria (Appointed on 29/09/2020) and Patrick Nyaga (Appointed on 29/09/2020).

SELECTION

The Group's Board through the Governance and Human Resource Committee undertake appropriate checks before appointing a director or putting forward any candidate for election as a director in accordance with the Group's governance processes.

NOMINATION

All directors are elected by the Group's shareholders (other than directors appointed by the Board to fill casual vacancies, who must retire at the next meeting of shareholders) with rotation and retirement determined by the Group's Articles of Association. The Board is responsible for identifying and appointing directors to the Board through the Governance and Human Resource Committee. Appropriate checks are undertaken on any potential candidates before a person is appointed by the Board or put forward to shareholders as a candidate for election as a director.

The Group has a written letter of engagement with each director setting out the terms and conditions of their appointment. In addition, the Group also takes out appropriate director professional indemnity insurance for each director to enable them to discharge their roles efficiently and effectively.

DIVERSITY

The Board is structured to ensure that, as a collective group, it has the skills, experience, knowledge, diversity and perspective to fulfil its purpose and responsibilities.

DIRECTOR INDEPENDENCE

In determining the independence or otherwise of a director, the Board, not only relies on the codified principles but also has an objective regard to the relationship between a director and the Company or between a director and third parties that may compromise the director's independence.

Though the Board at the moment does not have a third of its members as independent, the Board, noting that it is not precluded from appointing an additional director, will exploit this provision and bring on board an independent director in line with the recommendations of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015.

SKILLS MATRIX

In considering the composition of the Board, directors take into account the appropriate characteristics needed by the Board to maximize its effectiveness; and the blend of skills, knowledge and experience necessary for the present and future needs of the company.

The Board believes that having a range of different skills, backgrounds, experience and diversity enables a broad range of viewpoints which facilitates effective governance and decision making.

The Board's Governance and Human Resource Committee has the primary responsibility for conducting director assessments of the current mix of skills and experience of directors, taking into account the business and strategic needs of the company, as well as broader succession planning issues for both the Board and management.

TENURE

The Group notifies shareholders of their right to nominate a candidate for election as a director by a notice convening the shareholders' meeting in the event any director election or re-election is to occur at a shareholder meeting. Directors must retire every three years and, if desired, seek re-election.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

SUCCESSION

As part of its annual review, the Board continues to consider Board succession. The Board's succession plan is focused on identifying suitable candidates for future appointment to the Board, having regard to the Board's current skills mix and desirable future skills, so that the Board remains proactive and renewal occurs in an orderly manner over time.

Where a need is identified or arises, the Nominations Committee considers potential candidates based on the skills required by the Board and the qualities and experience of the candidate. The Committee, with the assistance of professional consultants if necessary, will undertake a search process and shortlisted candidates will be interviewed by the Nominations Committee before being recommended to the full Board for appointment.

DIRECTOR ORIENTATION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Immediately upon their appointment, directors are oriented on all facets of the business including the governance structure. The Group has a comprehensive induction program that adequately familiarizes a director with the Group.

On an ongoing basis, Directors and senior management participate in Board Training facilitated by industry and professional bodies to broaden their knowledge of the Group's business. In addition, during board meetings, the Board is regularly updated on the latest industry related developments.

It is fundamental to the Board that directors have and are committing sufficient time to perform their duties properly and effectively. The Board has considered this issue during the reporting period and is satisfied that, taking into account all of their commitments, each director had sufficient time to perform their Group Board duties.

NOTIFICATION AND CONFLICT OF INTEREST

The directors, as a matter of course, are required to bring to the attention of the Chairman any circumstances that might lead to a conflict of interest, whether real or potential and at each Board meeting, directors declare any conflicts of interests and such is appropriately recorded in the minutes and in a register.

INDEPENDENT ADVICE

Directors may access such information and seek such independent advice as they consider necessary or desirable, individually or collectively, to fulfil their responsibilities and permit independent judgement in decision making. However, this does not abrogate the Board's responsibility to make independent decisions as such advice is only meant to enhance comprehension of certain matters placed before the Board.

COMPANY SECRETARY

All directors have access to the advice and services of the Company Secretary for the purposes of the Board's affairs. The Company Secretary is appointed on the recommendation of the Governance and Human Resource Committee and must be approved by the Board. The Company Secretary is accountable to the Board, through the Chair, on all governance matters. As at the date of this Corporate Governance Statement, Ms. Gail Odongo was the Company Secretary.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

BOARD EVALUATION

Evaluations are regularly conducted to review the Board's role, Board processes and committees to support that role and the performance of the Board and each director. This is undertaken using a variety of techniques including external consultants, questionnaires and Board discussion.

It is on this background that the Group conducted an annual evaluation and review of the performance of the board as a whole and of each individual director's contribution, Group Chairman, Group Chief Executive Officer and the Group Company Secretary for the period under review through an externally facilitated process of self and peer evaluation. This evaluation involved an examination of the Board's and Committee's overall effectiveness and it was rigorous enough to identify areas for improvement and ensure maximum benefit.

BOARD COMMITTEES

The Board has delegated work to its three (3) standing Committees to effectively deal with specialized issues; the Audit and Risk Committee, the Finance and Investment Committee and the Governance & Human Resource Committee. The mandate of these committees is clearly defined in each of the Committees' Terms of Reference. The Committees make recommendations for actions to the Board, which retains collective responsibility for decision making.

The Committees' Membership is structured to spread responsibility and make best use of the range of skills across the Board.

Unless there are compelling circumstances, the Committee meetings are scheduled to coordinate with the Board meeting cycle. Each Committee reports to the Board at the subsequent Board meeting and makes recommendations to the Board for consideration as appropriate.
An overview of the role and responsibilities, membership and meetings of the Board's three standing Committees is provided in the table below:

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

	Governance & HR	Audit & Risk	Finance & Investment
Roles and Responsibilities	Help the Board ensure that the company develops and implements an effective approach to corporate governance which enables the business and the affairs of the company to be carried out, directed and managed in accordance with the board objectives. Responsible for identifying candidates for positions on the Board. The Committee reviews the structure, size and composition (including skills, knowledge and experience) of the Board and key management staff. It makes recommendations to the board on the appointment and re-appointment of directors, determines (guided by an objective market survey) the remuneration packages of senior management, compensation polices and plan, board remuneration, review of the board succession plan and human resource policies and procedures.	Assists the Board to monitor the integrity of the Group's financial reporting, risk management framework and internal controls. Reviews and, where appropriate, makes recommendations to the Board on the adequacy and effectiveness of the Group's internal control and risk management systems. Monitors the effectiveness and objectivity of the Company's internal audit function and performance, independence and objectivity of the Company's external auditors, making recommendations as to their appointment and approving their term of engagement and level of audit fees.	Provides financial oversight to the Group. Scrutinizes, approves the Group's annual budget, reviews and provides oversight on all major finance and investment activities of the Group and provides guidance and recommendations to the Group on these and related matters.
Membership	The Governance and Human Resource Committee comprised of Six (6) members. The members during the reporting period were: • Michael Wambia (Chair) • Gordon Owour • Japheth Magomere • Jonah Mutuku* • John Mbitu* • Patrick Nyaga • David Ngunjiri *Retired from the Committee	The Committee is comprised of four (4) members, three (3) of whom are independent non-executive directors and two of whom hold professional qualifications in accounting. The members during the reporting period were: • Jyoti Patel (Chair) • Peter Nyigei • Judith Oluoch • Patrick Nyaga	The Committee comprised of Six (6) members. The Members during the reporting period were: • Rosemary Githaiga (Chair) • Cornelius Ashira • Edwin Otieno • Julius Nyaga • Japheth Magomere • Patrick Nyaga
Meetings	The Committee meets at least 4 times in a year. During the period under consideration the committee met Thirteen (13) times	The Committee meets at least 4 times in a year. During the period under consideration the committee met Five (5) times	The Committee meets at least 4 times in a year. During the period under consideration the committee met Five (5) times

ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

The table below shows attendances at Board and Committee meetings by directors during the year ended 31 December 2020. In addition to the usual meetings of the Board and its standing committees, additional meetings of the Board and the Committees are convened as necessary to consider such urgent matters. Senior employees only attend Committee or Board meetings by invitation.

	BOARD	GOVERNANCE & HUMAN RESOURCE	AUDIT & RISK	FINANCE & INVESTMENT
Number of meetings	8	13	5	5
Japheth Magomere	8	12	-	5
Peter Nyigei	8	-	5	-
Michael Wambia	7	13	-	-
Gordon Owour	8	13	-	-
Rosemary Githaiga	7	-	-	5
Jyoti Patel	8	-	5	-
John Mbitu*	5	7	-	2
Jonah Mutuku*	5	7	-	-
James Njue	8	-	-	2
Nelson Kuria	1	1	-	-
David Ngunjiri**	3	4	-	-
Patrick Nyaga	3	6	2	2
Edwin Otieno	-	-	-	5
Cornelius Ashira	-	-	-	5
Judith Olouch	-	-	5	-
Julius Nyaga	-	-	-	5

*Retired during the financial period under consideration.
** Attends Group Board meetings by invitation

COMMITTEE CHARTERS

Each Standing Committee operates in accordance with a written Charter approved by the Board which is reviewed regularly to accommodate business dynamics.

GOVERNANCE POLICIES IN PLACE AT THE GROUP

The Group has, as a matter of good practice, formulated and put in place a Board Charter and relevant policies to ensure that the Group is run on a sustainable business model that will ultimately yield valuable return to the shareholders and other stakeholders. Such policies formulated by the Board include:

- Code of Professional Conduct and Ethics for Members of the Board
- Trading Policy
- Continuous Disclosure Policy
- Communications Policy
- Risk Management Policy
- Diversity Policy
- Stakeholders Management Policy
- Procurement Policy

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

Code of Professional Conduct and Ethics for Members of the Board

The company is committed to adherence to the highest standards of integrity, behavior and ethics in dealing with all its stakeholders. In this regard, the Board has approved various policies that prescribe standards of behavior and expected conduct of the Group's personnel in all business dealings.

The Code of Conduct provides and spells out the highest degree of probity in the business behavior and conduct expected of directors in the course of their duties. This codified expectation is premised on the understanding that their conduct reflects on the Group's corporate image and reputation. The Code of Conduct has prescribed matters touching on:

- Insider Trading;
- Conflict of Interest;
- Whistle blowing; and
- Anti-competitive practices.

Trading Policy

The Board has approved a Trading Policy whose primary concern is:

- To provide the circumstances in which directors, officers, employees, supervised persons, contractors and their associates may trade in CIC Insurance Group Shares at the Nairobi Securities Exchange.
- To prevent actual or perceived conflicts of interest so as to protect the reputation of the Group and ensure that public confidence is maintained in the Group as a business entity.

The policy establishes a procedure for buying, selling or otherwise dealing in the company's shares by prohibiting dealing by directors and company personnel either directly or through their associates during the closed window.

Risk Management

The Group has a Corporate Risk Management Policy and an Enterprise Risk Management framework which incorporate applicable principles and guidelines of the International Standard ISO 31000:2009 Risk Management. The Policy sets out the framework for risk management and compliance at the Group.

The threshold of the Group's ultimate risk appetite is set by the Board through its Audit and Risk Committee and the Board, on a quarterly basis or on such routine manner it may deem necessary, monitors management's adherence to the set risk management policy including implementation and establishment of internal controls to identify, assess and manage risks.

The Group has processes to systematically identify, assess and report on both financial and non-financial material business risks. Management routinely apprises that Board on the effectiveness of the Group's management of its material business risk and internal controls.

Weekly meetings are held by the Board of Management to give briefs on significant developments and to make major decisions collectively. Monthly management meetings are held to monitor performance and to agree on measures for improvement.

Whistle Blower Policy

CIC has a well-established whistle blower policy that provides a platform for stakeholders (Customers, staff, agents, brokers, suppliers) to raise concern regarding any suspected wrongdoing. The whistle blower platform is managed by an independent Ombudsman to ensure anonymity. The policy has been designed to entrench risk escalation to the Board thus ensuring that all reports are followed to conclusion. Our policy is enforced by the code of conduct and anti-fraud policy to which every staff member must attest.

Information Technology

The Group's ICT infrastructure and information systems are a crucial aspect of its business operations providing technology platforms that ensure exceptional service delivery and customer experience. The company's technologies, communication infrastructure and corporate data are governed by an ICT Policy comprising of standards that adhere to global best practices as well as local regulatory requirements. These standards ensure all technology acquisitions are cost effective; the implemented systems are reliable, robust and scalable and that the infrastructure investments are secured from system failure, cyber threats and other technology risks. In the event of a major disaster, business continuity is assured through the availability of a Tier 1 disaster recovery site that provides standby mission-critical systems and backup data at a dedicated, remote and secure location outside the central business district. The Group is committed to meeting the present and future customer needs through the use of digital technologies such as mobile applications, interactive web portals, social media, cloud and other ICT advancements. Its investment in these areas provides all our customers, partners and stakeholders with secure access to its insurance and asset management products and services.

Procurement

The Group has established a procurement policy whose primary objective is to ensure that best total value is achieved when procuring goods, services and works while simultaneously ensuring it supports the Group's mission and operations. The policy is designed to ensure that procurement is conducted in a transparent manner that promotes fair competition, instils integrity, transparency and fairness while eliminating arbitrariness in the entire process. This ensures increased confidence in the process by shareholders, staff, vendors and the general public.

The procurement policy is reviewed annually to ensure it is synchronized and benchmarked with emerging best practice in procurement and to address any emerging issues that may arise during implementation.
Internal Audit

The Internal Audit function is strategically independent of management and reports to the Board through the Audit and Risk Committee. Internal Audit provides assurance that the Group's financial and operational risk are being managed appropriately and that the internal control framework is operating effectively.

Continuous Disclosure

The Board has established a Continuous Disclosure Policy which is a key requirement under the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. The Group's Management has the discretion to determine what matters are potentially material and price sensitive and to determine whether those matters are required to be disclosed to the market.

The key overriding objectives of this policy are:

- Awareness of the Group's obligations by all group personnel;
- Accountability for timely disclosure of material information; and
- Awareness by shareholders and the market of price sensitive information affecting the company.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

Communication with Stakeholders

The Board aims to ensure that all stakeholders are informed of all material information relating to the company by communicating to stakeholders through:

- Continuous disclosure reporting to the Capital Markets Authority in line with the Capital Markets Disclosure requirements;
- Its annual reports; and
- Media releases and other investor relations publications on the Group's website.

Further, the Group also communicates to its stakeholders in the following manner:

a). Annual General Meeting

The Board is keen on not only the importance of providing information but also of enabling two-way communication between the Group and its shareholders through the holding of the Annual General Meeting.

Shareholders are given an opportunity to participate at the meeting and those who cannot make it to the meeting are allowed to attend through proxies.

Additionally, the Group's auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report, as well as provide investors with an accurate account of the Group's financial state of affairs upon which they can make an informed buy or sell decision.

b). Customer service

The Company has established a fully-fledged Customer Service Department to respond to inquiries from shareholders and other stakeholders in relation to the Group, provided the information requested is already publicly available or not price sensitive. Moreover, the Group has, as a matter of policy, entrenched in its employees a culture of treating customers and other stakeholders fairly.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

CONSOLIDATED TOP TEN SHAREHOLDERS OF CIC INSURANCE GROUP PLC AS AT 31 DECEMBER 2020

			Year 2020	Year 2019	
	Account ID	**Shareholder Name**	**Shareholding**	**Shareholding**	**Category**
1	100197319	CO-OPERATIVE INSURANCE SOCIETY LIMITED - Immediate parent	1,943,441,304	1,943,441,304	LC*
2	100101473	GIDEON MAINA MURIUKI	131,724,304	131,724,304	LI**
3	100318324	WEDA WELTON	24,436,800	15,556,800	LI
4	100099345	STANDARD CHARTERED NOMINEES NON-RESIDENT AC 9011	24,422,040	24,422,040	FC***
5	10003482	NIC CUSTODIAL SERVICES A/C 077	15,481,560	15,481,560	LC
6	100182627	NELSON CHEGE KURIA	14,299,600	13,909,800	LI
7	100072253	PATRICK NJOGU KARIUKI	13,629,129	20,881,229	LI
8	100104921	PATRICK NYAGA	12,176,400	200,000	LI
9	100446746	MR PATEL, BALOOBHAI; PATEL, AMARJEET BALOOBHAI PATEL	11,700,000	6,000,000	LI
10	100071305	JOHN NJUGUNA NGUGI	11,332,100	11,332,100	LI

*LC – Local Company
**LI – Local Individual
***FC – Foreign Company

TOP TEN INDIVIDUAL SHAREHOLDERS OF CIC INSURANCE GROUP PLC AS AT 31 DECEMBER 2020

	Account ID	**Shareholder Name**	**Shareholding**	**Category**
1	100101473	GIDEON MAINA MURIUKI	131,724,304	LI
2	100318324	WEDA WELTON	24,436,800	LI
3	100182627	NELSON CHEGE KURIA	14,299,600	LI
4	100072253	PATRICK NJOGU KARIUKI	13,629,129	LI
5	100104921	PATRICK NYAGA	12,176,400	LI
6	100446746	MR PATEL, BALOOBHAI; PATEL, AMARJEET BALOOBHAI PATEL	11,700,000	LI
7	100071305	JOHN NJUGUNA NGUGI	11,332,100	LI
9	100203482	ESTATE OF STANLEY CHARLES MUCHIRI	6,453,312	LI
10	100193189	NANCY WANGARI NDUNGU	5,815,000	LI
11	100023367	JOYCE WANJIKU MURIUKI	5,108,640	LI

CORPORATE GOVERNANCE STATEMENT *(continued)*

FOR THE YEAR ENDED 31ST DECEMBER 2020

CIC INSURANCE GROUP PLC DIRECTORS SHAREHOLDING AS AT 31 DECEMBER 2020

		2019	2020
	NAME	**NO. OF SHARES**	**NO. OF SHARES**
1	JYOTI PATEL	-	-
2	JOHN MBITU	-	-
3	PETER K. NYIGEI	12,000	12,000
4	JONAH M. MUTUKU	24,000	24,000
5	MICHAEL O. WAMBIA	36,000	36,000
6	JAMES NJIRU	48,000	48,000
7	GORDON OWUOR	264,000	264,000
8	JAPHETH MAGOMERE	672,000	672,000
9	ROSEMARY GITHAIGA	2,589,600	2,589,600
10	NYAGA PATRICK	200,000	12,176,400
11	NELSON KURIA	13,909,800	14,299,600
	TOTAL	**17,755,400**	**30,121,600**

TOP TEN CO-OPERATIVES INSURANCE SOCIETY LIMITED CORPORATE SHAREHOLDERS AS AT 31 DECEMBER 2020

		2019		2020	
Account ID	**Name**	**Balance**	**%**	**Balance**	**%**
90001050	THE CO-OPERATIVE BANK OF KENYA LTD	649,296,413	33.41	649,296,413	33.41
90000151	CO-OPERATIVE BANK SAVINGS AND CREDIT SOCIETY LTD	187,155,264	9.63	187,155,264	9.63
90000428	K-UNITY SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED.	68,017,776	3.50	68,017,776	3.50
90000258	HARAMBEE CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD	56,337,445	2.90	56,337,445	2.90
90000005	NAWIRI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED	40,432,130	2.08	40,432,130	2.08
100113028	FEP CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD	30,720,000	1.58	30,720,000	1.58
90000486	KIPSIGIS TEACHERS SAVINGS & CREDIT SOCIETY LTD	29,764,248	1.53	29,764,248	1.53
90000406	KENYA POLICE STAFF CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD	28,722,704	1.48	28,722,704	1.48
90001022	STIMA CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD	26,162,384	1.35	26,162,384	1.35
90003516	BORESHA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED	26,134,224	1.34	26,134,224	1.34

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31ST DECEMBER 2020

CIC INSURANCE GROUP SHAREHOLDER DISTRIBUTION AS AT 31 DECEMBER 2020

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
1-500	5400	1,133,469	0.04
501-5,000	6508	13,035,411	0.50
5,001-10,000	1539	11,640,874	0.45
10,001-100,000	4308	120,305,789	4.60
100,001-1,000,000	545	133,095,189	5.09
ABOVE 1,000,000	64	2,336,327,796	89.32
TOTALS	**18,364**	**2,615,538,528**	**100.00**

CATEGORY SUMMARY OF SHAREHOLDERS AS AT 31 DECEMBER 2020

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
FOREIGN COMPANIES	2	24,482,040	0.94
FOREIGN INDIVIDUALS	101	2,730,644	0.10
LOCAL COMPANIES	629	2,008,610,469	76.80
LOCAL INDIVIDUAL	17,632	579,715,375	22.16
TOTALS	**18,364**	**2,615,538,528**	**100.00**

To this end, the Group communicates open and closed periods for trading in its shares to its employees and directors on an annual basis.

Approved by the board of directors on 24 March, 2021 and signed on its behalf by:

Japheth Magomere, OGW,
Chairman CIC Group.

Patrick Nyaga
Group CEO.

Jyoti Patel,
Director.

Gail Odongo,
Group Company Secretary.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CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group 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 Company and its subsidiaries keep proper accounting records that are sufficient to show and explain the transactions of the Company and Group; disclose with reasonable accuracy at any time the financial position of the Company and Group; and that enables them to prepare financial statements of the Company and Group 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 Company and Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then applying them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances.

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

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 24 March, 2021 and signed on its behalf by:

Japheth Magomere	Patrick Nyaga	Jyoti Patel
Group Chairman	**Group Chief Executive Officer**	**Director**

DIRECTORS REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Information not Subject to audit

The CIC Insurance Group vision is to be a world class provider of insurance and other financial services. Consequently, the Group endeavours to attract and retain as directors, high calibre individuals who are well equipped with the relevant expertise and experience to enable the Group to achieve its vision. To retain and motivate such individuals requires compensation that is not only commensurate to their skill and time devoted to the Group, but also one that is competitive.

The Group has developed and put in place a remuneration policy for both the executive and non-executive directors that is transparent and considers both needs and the overall performance of the business. The policy has adopted a compensation and remuneration model that is competitive to attract and retain talent. The remuneration policy can be summed up as hereunder:

Executive Directors

1. The remuneration for the executive director is as per a negotiated contract of employment. It incorporates a bonus scheme that is only triggered upon achieving various targets agreed with the board. The trigger was not reached in 2019 and 2020.
2. The GCEO* has a service gratuity of 20% of the annual basic pay payable at the end of the contract for each year worked.
3. The GCEO* is on a 3-year contract which commenced on 22 June 2020 and has a 3 months termination notice.

Non-Executive Directors

1. Directors are entitled to a sitting allowance for their attendance of a board or board committee meeting, lunch allowance (in lieu of lunch being provided), and mileage reimbursements (in lieu of transport being provided) at the Automobile Association of Kenya rates.
2. The directors receive annual honoraria.
3. Directors are paid a monthly retainer. The fees have been set by the board pursuant to the authorization granted by the shareholders at the Annual General Meeting.
4. There are no directors' loans.
5. There is no directors' shares scheme.
6. An allowance is paid to non-executive directors for any day of travel away from their regular station in order to attend to duties of the Company or its subsidiaries.
7. Independent directors are on a three-year contract which is renewable once.
8. Medical insurance cover is provided to all directors for their individual medical requirements covering both out-patient and inpatient services.

During the financial year ended 31 December 2020, the Board was composed of the following Directors:

Executive	Non-Executive	Independent
Patrick Nyaga (Appointed on 29 September 2020) *	Japheth Magomere (Chairman)	Jyoti Patel
	Peter Nyigei (Vice Chairman)	Nelson Kuria
	Michael Wambia	
	Gordon Owuor	
	Rosemary Githaiga	
	James Njue	
	David Ngunjiri	
	Jonah Mutuku (Retired 29 September 2020)	

** GCEO Group Chief Executive Officer*

DIRECTORS REMUNERATION REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Information Subject to audit

The following table shows remuneration for the Executive and Non-Executive Directors in respect of qualifying services on the group board for the year ended 31 December 2020.

Group Directors 2020 emoluments (KShs)

Name	Designation	Salary	Allowances	Gratuity	Retainer	Sitting Allowance	Honoraria	Board Expenses	Total
Patrick Nyaga	GCEO*	22,995,000	2,205,000	4,608,000	-	-	-	-	29,808,000
Japheth Magomere	Chairman				3,303,956	7,161,310	13,015,147	155,592	23,636,005
Peter Nyigei	V/Chairman				1,347,006	2,493,810	106,667	414,768	4,362,251
Gordon Owuor	Director				1,301,598	2,682,240	1,468,804	143,243	5,595,885
David Ngunjiri	Director				1,278,894	2,001,670	106,667	238,769	3,626,000
John Mbitu	Director				665,934	1,251,897	-	97,143	2,014,974
James Njue	Director				1,278,894	1,558,370	106,667	117,086	3,061,017
Jonah Mutuku	Director				1,278,894	1,633,390	1,355,819	177,246	4,445,349
Micheal Wambia	Director				1,278,894	2,110,854	1,468,804	173,049	5,031,601
Rosemary Githaiga	Director				1,278,894	1,037,516	106,667	21,429	2,444,506
Jyoti Patel	Director				1,278,894	1,633,390	106,667	141,740	3,160,691
Nelson Kuria	Director	-	-	-	301,200	235,000	106,667	42,667	685,534
Grand Total		22,995,000	2,205,000	4,608,000	14,593,058	23,799,447	17,948,576	1,722,732	87,871,813

DIRECTORS REMUNERATION REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

Group Directors 2019 emoluments (KShs)

Name	Designation	Salary	Allowances	Gratuity	Retainer	Sitting Allowance	Honoraria	Board Expenses	Total
Tom Gitogo	GCEO*	55,345,344	22,879,662	76,356,768	-	-	-	-	154,581,774
Japheth Magomere	Chairman				3,457,629	7,170,273	690,000	675,763	11,993,665
Peter Nyigei	V/Chairman				1,409,657	3,404,136	673,573	1,149,646	6,637,012
Gordon Owuor	Director				1,352,237	3,631,026	665,357	674,411	6,323,031
Harrison Githae	Director				567,557	1,177,765	665,357	197,949	2,608,628
John Mbitu	Director				1,362,137	3,013,690	665,357	450,321	5,491,505
James Njue	Director				1,338,377	2,175,394	665,357	848,285	5,027,413
Jonah Mutuku	Director				1,338,377	3,026,239	665,357	687,370	5,717,343
Mary Mungai	Director				645,429	617,404	657,143	229,810	2,149,786
Micheal Wambia	Director				1,338,377	3,642,945	665,357	669,946	6,316,625
Philip Lopokoiyit	Director				557,657	492,612	665,357	155,752	1,871,378
Rosemary Githaiga	Director				1,896,034	1,398,857	665,357	777,143	4,737,391
Jyoti Patel	Director	-	-	-	1,338,377	1,928,813	665,357	642,937	4,575,484
Grand Total		55,345,344	22,879,662	76,356,768	16,601,845	31,679,154	8,008,929	7,159,333	218,031,035

*GCEO- Group Chief Executive Officer

The Group will not propose to make any changes in the remuneration level during the current financial year.

By Order of the Board

Gail Odongo
Group Company Secretary

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CIC INSURANCE GROUP PLC

Report on audit of the financial statements

Our opinion

We have audited the accompanying financial statements of CIC Insurance Group Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 88 to 222, which comprise the consolidated statement of financial position at 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2020, and the Company statement of profit or loss and other comprehensive income, Company statement of changes in equity and Company statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of CIC Insurance Group Plc 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 Group in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
Tel: +254 (20)285 5000, Fax: +254 (20)285 5001, Website: www.pwc.com/ke

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 CIC INSURANCE GROUP PLC *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities and unit linked liabilities	
As described in the accounting policies, notes 46, 47, 49 and 56 of the financial statements, the Group's insurance contract liabilities comprise long-term policyholder liabilities, outstanding claims and incurred but not reported reserves (IBNR). The valuation of insurance contract liabilities involves significant judgement in estimating the expected future outflows. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used. For the long-term policyholder liabilities, both economic and non -economic assumptions are made. Economic assumptions such as discount rates, investment returns and inflation rates are benchmarked to available market information. Non-economic assumptions such as mortality rates, future expenses, investment returns, discount rates and lapse rates, are projected based on past experience. For general insurance, the key assumptions employed in the reserving calculations include: loss ratios and estimates of the frequency and severity of claims. Claims incurred but not reported (IBNR) are determined by projecting ultimate claim losses based on current loss rates or claim experience. Additional qualitative judgement is applied in assessing the extent to which past trends may or may not recur in the future. A margin for adverse deviation is included in the liability valuation. However, changes in the assumptions and methodology can result in a material impact to the valuation.	Validated, on a sample basis, the claims paid and outstanding to supporting documentation and compared the claim payments in 2020 to the prior reserves as applicable. Compared the data used in the valuation to the existing policyholder data. Tested the reasonableness of claims outstanding balances by comparing the recorded amounts to the latest available information on source documents. Used our internal actuarial experts to assist us in assessing the appropriateness of the methodology and the reasonableness of the assumptions used by management in the estimation of reserves at 31 December 2020. Performed sensitivity analysis of the insurance contract liabilities based on the significant assumptions. Checked the consistency of the reserving methods and assumptions against prior years. Tested the validity of the reserving process by performing an actual vs expected analysis on prior years' reserves for any surpluses or shortfalls; and Assessed the adequacy of the disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Hyperinflationary accounting in South Sudan	
The Group has a subsidiary, CIC Africa Insurance (SS) Limited which is incorporated and domiciled in South Sudan and is therefore required to comply with laws and regulations of South Sudan. South Sudan continues to be a hyperinflationary economy with the country's three-year cumulative inflation exceeding 100%. IAS 29 'Financial reporting in hyperinflationary economies' requires financial statements that are prepared in the currency of a hyper-inflationary economy to be stated in terms of the value of money at the end of the reporting period. The IAS 29 approach is to restate all non-monetary balances recognised in the financial statements (including comparatives) to the year-end general purchasing power of the functional currency and requires the use of a general price index to reflect changes in purchasing power. As explained on note 9, the subsidiary previously used the USD as its functional currency. During the year, the Company carried out a re-assessment of the appropriate functional currency and concluded that the South Sudan Pound (SSP) was the appropriate currency and that it therefore needed to apply hyperinflationary accounting. We considered this to be a key audit matter because of the considerations required in determining the functional currency, the complexity of applying hyperinflationary accounting and the adjustments required in effecting the SSP as the functional currency.	Understood and evaluated the rationale, governance, documentation and technical basis supporting the choice of functional currency against the requirements of IAS 21 'The Effects of Changes in Foreign Exchange Rates. Tested the reasonableness of the price index and exchange rates used by the Group in computing the adjustments required by IAS 29, together with the related assumptions. Tested the appropriate segregation of assets into monetary and non-monetary. Substantively tested the gain or loss on the net monetary position included in net income; and Reviewed the adjustments made to effect the functional currency change and hyperinflation accounting requirements, and the related disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CIC INSURANCE GROUP PLC *(CONTINUED)*

Other information

The other information comprises Corporate Information, Report of the Directors, Directors Remuneration Report, Corporate Governance Report, Statement of Directors' Responsibilities and Supplementary information which we obtained prior to the date of this auditor's report and the rest of the other information in the Integrated Financial Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will 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 have received prior to the date of this auditor's report 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.

When we read the rest of the other information in the Integrated Financial Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.
Responsibilities of the directors for 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CIC INSURANCE GROUP PLC *(CONTINUED)*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 and 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 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 Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CIC INSURANCE GROUP PLC *(CONTINUED)*

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the report of directors on pages 3 to 5 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 79 to 81 has been properly prepared in accordance with the Companies Act, 2015.

Richard Njoroge

FCPA Richard Njoroge, Practising certificate No. 1244.
Engagement partner responsible for the independent audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

29 April, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Group 2020 KShs'000	2019 KShs'000
Gross written premiums	3(a)	16,988,281	17,695,928
Gross earned premiums	3(b)	17,244,119	17,296,700
Less: Reinsurance premiums ceded	3(c)	(3,305,141)	(2,899,813)
Net earned premiums		13,938,978	14,396,887
Fees and commission income	4(a)	1,459,392	1,281,654
Interest revenue calculated using the effective interest method	5	1,461,661	1,486,740
Other (loss)/gain	6	(63,606)	406,840
Foreign exchange gain		74,491	67,394
Other income		2,931,938	3,242,628
Total income		16,870,916	17,639,515
Net claims and policyholders benefits payable		(9,954,608)	(10,040,469)
Commissions expense	4(b)	(2,159,265)	(2,241,097)
Operating and other expenses	8(a)	(4,097,596)	(4,311,254)
Allowance for expected credit losses	8(d)	(15,895)	28,734
Loss on monetary position	9	(274,289)	-
Total benefits and other expenses		(16,501,653)	(16,564,086)
Total operating profits		369,263	1,075,429
Finance cost	10	(441,495)	(670,115)
Share of loss of associate company	18	(7,312)	(19,725)
(Loss)/profit before taxation		(79,544)	385,589
Income tax expense	11	(217,288)	(63,998)
(Loss)/ profit for the year		(296,832)	321,591
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Fair value (loss)/gain on equity instruments at fair value through other comprehensive income	24	(5,112)	2,024
Gain on revaluation of building	13	9,194	40,655
Total items that will not be reclassified to profit or loss		4,082	42,679
Items that may be reclassified subsequently to profit or loss			
Foreign exchange currency translation gain	38	49,726	228
Fair value gain on debt instruments at fair value through OCI	23(a)	18,560	90,395
Total items that may be subsequently reclassified to profit or loss		68,286	90,623
Total other comprehensive income for the year (net of tax)		72,368	133,302
Total comprehensive (loss)/income for the year (net of tax)		(224,464)	454,893
Basic and diluted earnings per share (Kshs)	12	(0.09)	0.12

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 KShs'000	2019 KShs'000
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE PARENT	(232,914)	309,330
NON - CONTROLLING INTERESTS	(63,918)	12,261
	(296,832)	321,591
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE PARENT	(186,824)	434,562
NON-CONTROLLING INTERESTS	(37,640)	20,330
	(224,464)	454,892

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 KShs'000	2019 KShs'000
ASSETS			
Property and equipment	13 (a)	972,151	1,058,320
Right of use-asset	14 (a)	181,606	165,229
Investment properties	15 (a)	7,465,411	7,442,205
Intangible assets	16 (a)	270,109	246,445
Deferred tax asset	17 (a)	952,750	920,004
Investment in associate	18	119,680	126,992
Financial assets at amortised cost- Corporate bonds	20	157,303	290,233
Financial assets at amortised cost -Government securities	21	2,010,376	1,941,363
Financial assets at amortised cost -Loans receivable	22	679,965	644,534
Financial assets at fair value through other comprehensive income -Government securities	23 (a)	9,592,504	7,275,133
Financial assets at fair value through other comprehensive income - Unquoted Equity instruments	24	15,124	20,236
Financial assets at fair value through profit or loss - Quoted Equity instruments	25	1,167,172	1,439,666
Financial assets at amortised cost -Deposits and commercial paper	26 (a)	32,660	155,432
Investments in collective investment schemes at fair value through profit or loss	26 (b)	1,830,444	1,486,501
Receivables arising out of direct insurance arrangements	28 (a)	1,494,107	1,583,066
Receivables arising out of reinsurance arrangements	28 (b)	2,933,810	2,347,976
Reinsurers share of liabilities and reserves	29	2,171,756	2,183,104
Deferred acquisition costs	27	558,571	572,515
Current income tax	11 (b)	122,334	179,156
Other receivables	30 (a)	312,552	339,829
Due from related parties	31	147,693	126,293
Deposits with financial institutions	32 (a)	5,240,691	3,945,655
Cash and cash equivalents	52	357,403	813,183
Total assets		38,786,172	35,303,070
EQUITY AND LIABILITIES			
Share capital	33	2,615,578	2,615,578
Share premium	34	162,179	162,179
Statutory reserve	35	1,183,825	1,123,620
Contingency reserve	36	61,924	34,016
Revaluation surplus	37	192,799	183,605
Foreign currency translation reserve	38	(275,356)	(298,804)
Fair value reserve	39	(65,452)	(78,900)
Retained earnings	40	3,784,226	4,105,253
Equity attributable the owners of the parent		7,659,723	7,846,547
Non-controlling interest	41	(31,254)	6,386
Total equity		7,628,469	7,852,933
LIABILITIES			
Deferred tax liability	17 (a)	508,616	487,991
Non-life Insurance contracts liabilities	49	6,687,924	5,520,581
Deposits administration contracts	45	5,334,558	4,370,396
Life insurance contracts liabilities	46	7,333,365	6,362,664
Unit linked contracts	47	523,663	514,972
Provisions for unearned premiums reserve and unexpired risks	48	4,335,710	4,591,548
Lease Liability	14 (a)	205,940	193,194
Payables arising from reinsurance arrangements and insurance bodies	28 (c)	866,267	451,699
Borrowings	42	3,955,600	3,748,531
Other payables	43 (a)	1,327,365	1,208,561
Current income tax	11 (b)	78,695	-
Total liabilities		31,157,703	27,450,137
Total equity and liabilities		38,786,172	35,303,070

The financial statements were approved by the Board of Directors on 24 March, 2021 and signed on its behalf by:

Japheth Magomere, OGW,
Chairman.

Patrick Nyaga
Group Chief Executive Officer.

Jyoti Patel,
Director.

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2020

	Notes	Company 2020 KShs'000	2019 KShs'000
Interest revenue calculated using the effective interest method	5(i)	60,925	146,644
Other investment income	5(ii)	50,000	323,000
Other gains	6	2,790	205,070
Total Income		113,715	674,714
Operating and other expenses	8(a)	(108,665)	(158,901)
Allowance for expected credit losses		(731)	(1,331)
Operating cost		(109,396)	(160,232)
Operating Income		4,319	514,482
Finance cost	10	(542,976)	(646,745)
Loss before taxation		(538,657)	(132,263)
Taxation credit	11	127,535	118,824
Loss for the year		(411,122)	(13,439)
Other comprehensive income		-	-
Total comprehensive loss for the year (net of tax)		(411,122)	(13,439)
Basic and diluted Earnings per share (Kshs)	12	(0.16)	(0.01)

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 KShs'000	2019 KShs'000
ASSETS			
Property and equipment	13 (b)	42,033	60,883
Right of use-Asset	14(a)	8,759	28,347
Investment properties	15 (b)	3,800,000	3,800,000
Intangible assets	16 (b)	68,124	31,138
Deferred tax asset	17 (b)	576,551	449,016
Investment in associate	18	138,400	138,400
Investment in subsidiaries	19	3,682,878	3,682,878
Financial assets at amortised cost -Loans receivable	22	11,462	9,275
Investments in collective investment schemes through profit or loss	26(c)	14,892	13,096
Taxation recoverable	11 (b)	2,000	2,000
Other receivables	30 (b)	76,588	103,325
Due from related parties	31	206,222	161,897
Related party loan	31 (c)	501,657	454,704
Deposits with financial institutions	32 (b)	74,541	71,650
Cash and cash equivalents	52	-	3,488
Total assets		9,204,107	9,010,097
EQUITY AND LIABILITIES			
Equity			
Share capital	33	2,615,578	2,615,578
Share premium	34	162,179	162,179
Retained earnings	40	795,043	1,206,165
Total equity		3,572,800	3,983,922
LIABILITIES			
Bank Overdraft	52	43,826	-
Lease liability	14(a)	11,061	29,954
Due to related parties	31	414,660	286,883
Related party loan	31(c)	1,183,315	900,000
Borrowings	42	3,955,600	3,748,531
Other payables	43 (b)	22,845	60,807
Total liabilities		5,631,307	5,026,175
Total equity and liabilities		9,204,107	9,010,097

The financial statements were approved by the Board of Directors on 24 March, 2021 and signed on its behalf by:

Japheth Magomere, OGW,
Chairman.

Patrick Nyaga
Group Chief Executive Officer.

Jyoti Patel,
Director.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital KShs'000 (Note 33)	Share Premium KShs'000 (Note 34)	Statutory Fund KShs'000 (Note 35)	Revaluation surplus KShs'000 (Note 37)	Contingency reserve KShs'000 (Note 36)	Foreign Currency Translation Reserve Ksh'000 (Note 38)	Fair value reserve KShs'000 (Note 39)	Retained earnings KShs'000 (Note 40)	Due to equity holders of the parent KShs'000	Non-controlling interests KShs'000 (Note 41)	Total KShs'000
At 1 January 2020	2,615,578	162,179	1,123,620	183,605	34,016	(298,804)	(78,900)	4,105,253	7,846,547	6,386	7,852,933
Contingency reserve	-	-	-	-	27,908	-	-	(27,908)	-	-	-
Profit for the year	-	-	60,205	-	-	-	-	(293,119)	(232,914)	(63,918)	(296,832)
Other comprehensive income for the year	-	-	-	9,194	-	23,448	13,448	-	46,090	26,278	72,368
Total comprehensive income for the year	-	-	60,205	9,194	-	23,448	13,448	(293,119)	(186,824)	(37,640)	(224,464)
At 31 December 2020	2,615,578	162,179	1,183,825	192,799	61,924	(275,356)	(65,452)	3,784,226	7,659,723	(31,254)	7,628,469

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital KShs'000 (Note 33)	Share Premium KShs'000 (Note 34)	Statutory Fund KShs'000 (Note 35)	Revaluation surplus KShs'000 (Note 37)	Contingency reserve KShs'000 (Note 36)	Foreign Currency Translation Reserve Ksh'000 (Note 38)	Fair value reserve KShs'000 (Note 39)	Retained earnings KShs'000 (Note 40)	Due to equity holders of the parent KShs'000	Non-controlling interests KShs'000 (Note 41)	Total KShs'000
At 1 January 2019	2,615,578	162,179	1,009,556	151,019	21,017	(299,031)	(171,319)	4,263,011	7,752,010	(13,944)	7,738,066
Contingency reserve	-	-	-	-	12,999	-	-	(12,999)	-	-	-
Dividends paid– 2019								(340,025)	(340,025)		(340,025)
Profit for the year	-	-	114,064	-	-	-	-	195,266	309,330	12,261	321,591
Other comprehensive income for the year	-	-	-	32,586	-	227	92,419	-	125,232	8,069	133,301
Total comprehensive income for the year	-	-	114,064	32,586	-	227	92,419	195,266	434,562	20,330	454,892
At 31 December 2019	2,615,578	162,179	1,123,620	183,605	34,016	(298,804)	(78,900)	4,105,253	7,846,547	6,386	7,852,933

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital KShs'000 (Note 33)	Share premium KShs'000 (Note 34)	Fair value reserve KShs'00 (Note 39)	Retained Earnings KShs'000 (Note 40)	Total KShs'000
At 1 January 2020	2,615,578	162,179	-	1,206,165	3,983,922
Loss for the year	-	-	-	(411,122)	(411,122)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(411,122)	(411,122)
At 31 December 2020	2,615,578	162,179	-	795,043	3,572,800
At 1 January 2019	2,615,578	162,179	-	1,559,629	4,337,386
Dividends declared and paid– 2019				(340,025)	(340,025)
Loss for the year	-	-	-	(13,439)	(13,439)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(13,439)	(13,439)
At 31 December 2019	2,615,578	162,179	-	1,206,165	3,983,922

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

CASH FLOWS FROM OPERATING ACTIVITIES *	Note	2020 KShs'000	2019 KShs'000
Cash generated from operations	51 (a)	2,429,725	2,457,992
Purchase of corporate bonds	20	-	(36,075)
Proceeds from maturity of corporate bonds	20	148,798	274,697
Purchase of government securities at amortised cost	21	(704,292)	(382,466)
Maturities of government securities at amortised cost	21	660,740	223,678
Mortgage loans advanced	22 (a)	(5,847)	(2,000)
Mortgage loan repaid	22 (a)	22,951	102,184
Other staff loans advanced	22 (b)	(258,987)	(351,067)
Other staff loan repaid	22 (b)	202,390	219,053
Purchase of government securities at fair value through other comprehensive income	23	(2,651,211)	(1,530,422)
Maturity of government securities at fair value through other comprehensive income	23	352,400	187,180
Purchase of equity investment at fair value through profit or loss	25	(111,876)	(305,553)
Proceeds from sale of equity investments at fair value through profit or loss	25	157,114	277,728
Additions in deposits with non-financial institutions	26(a)	-	(218,726)
Proceeds from maturities in deposits with non-financial institutions	26(a)	121,661	159,226
Additions to collective investment schemes	26(a)	(2,387,593)	(1,529,078)
Proceeds from disposal of collective investment scheme	26(a)	2,130,517	1,146,161
Increase in deposits with financial institutions (excluding cash and cash equivalents)	32	(712,124)	(1,416,332)
Interest paid	42	-	(650,000)
Interest paid on leases	14(a)	(34,426)	(28,334)
Interest received		1,218,243	1,225,815
Dividend received	5	34,814	47,148
Tax paid	11 (b)	(93,892)	(380,841)
Net cash generated from/(used in) operating activities		519,105	(510,032)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	13	(34,854)	(66,888)
Disposal of property and equipment	13	170	-
Purchase of investment property	15	-	(2,556)
Purchase of intangible assets	16	(51,046)	(19,986)
Net cash used in investing activities		(85,730)	(89,430)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from bank borrowing	42	-	4,500,000
Repayment of borrowings	42	(200,000)	(900,000)
Repayment of Corporate Bond	42	-	(5,000,000)
Repayment of principal portion of lease liability	14(a)	(109,073)	(54,827)
Dividends and withholding tax paid	44	-	(328,971)
Net cash used in financing activities		(309,073)	(1,783,798)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		124,302	(2,383,260)
Effect of foreign exchange translations		13,389	(7,929)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		1,931,611	4,322,800
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	52	2,069,302	1,931,611

**The 2019 statement of cash flows has been restated to align the presentation of some cashflows from investments amounting to Ksh 2,634,331,000 previously presented as cash flows from investing activities, to cash flows from operating activities. The restatement has no impact on the overall cashflow position and the other primary statements.*

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

CASH FLOWS FROM OPERATING ACTIVITIES *	Notes	2020 KShs'000	2019 KShs'000
Cash generated from operations	51 (b)	111,236	751,946
Addition to collective investments	26	-	(12,080)
Mortgage loan repaid	22 (a)	-	25,331
Other staff loans repaid	22 (b)	-	568
(Increase)/decrease in deposits with financial institutions (excluding cash and cash equivalents)		(10)	250
Interest paid	42	-	(650,000)
Interest paid on leases	14(a)	(2,592)	(4,964)
Interest received	5	60,925	146,644
Dividend received		50,000	323,000
Taxation paid		-	-
Net cash generated from operating activities		219,559	580,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	13	(3,592)	(34,693)
Purchase of intangible assets	16	(41,497)	(7,071)
Investment in subsidiaries	19	-	(82,000)
Net cash used in investing activities		(45,089)	(123,764)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowing	42	-	4,500,000
Repayment of borrowings	42	(200,000)	(900,000)
Repayment of corporate bond	42	-	(5,000,000)
Repayment of principal portion of lease liability	14(a)	(18,893)	(20,146)
Dividends paid	44	-	(328,971)
Net cash used in financing activities		(218,893)	(1,749,117)
DECREASE IN CASH AND CASH EQUIVALENTS		(44,423)	(1,292,186)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		75,138	1,367,324
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	52	30,715	75,138

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

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

(a) Basis of preparation

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

The financial statements have been prepared on a historical cost basis, except for debt instruments at fair value through other comprehensive income, equity investments at fair value through profit or loss, building and investment properties which have been measured at fair value and actuarially determined liabilities at their present value. The consolidated financial statements are presented in Kenya Shillings and all values rounded to the nearest thousand (KShs '000), which is also the functional currency.

The financial statements comprise the statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in profit or loss. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in previous periods. Transactions with the owners of the Group in their capacity as owners are recognised in the statement of changes in equity.

The Group presents its statement of financial position broadly in order of liquidity from the least liquid to the most liquid. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies adopted by the Group. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note (2 (h)) of these financial statements.

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period

The table below provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2020 (ie years ending 31 December 2020), and (b) forthcoming requirements, being standards and amendments that became or will become effective on or after 1 January 2021.

(i) New standards and amendments – applicable 1 January 2020

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2020:

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period *(continued)*

Title	Key requirements	Effective Date *
Definition of Material Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	1 January 2020
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting ; • reinstating prudence as a component of neutrality; • defining a reporting entity, which may be a legal entity, or a portion of an entity; • revising the definitions of an asset and a liability; • removing the probability threshold for recognition and adding guidance on derecognition; • adding guidance on different measurement basis, and	1 January 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period *(continued)*

(i) New standards and amendments – applicable 1 January 2020 *(continued)*

Title	Key requirements	Effective Date *
Revised Conceptual Framework for Financial Reporting	• stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	1 June 2020

**applicable to reporting periods commencing on or after the given date*

Impact of the Standards

None of these standards had a significant impact on the results of the Group.

(ii) Forthcoming requirements

As at 31 May 2020, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020.

Title	Key requirements	Effective Date *
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	1 June 2020

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period *(continued)*

New and amended Standards in issue but not effective in the year ended 31st December 2020

Title	Key requirements	Effective Date *
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows; • an explicit risk adjustment; and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	Originally 1 January 2021, but extended to 1 January 2023 by the IASB in March 2020
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period *(continued)*

New standards and amendments – applicable 1 January 2020 *(continued)*

Title	Key requirements	Effective Date *
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022

** applicable to reporting periods commencing on or after the given date*

Impact of the Standards

Except for IFRS 17 Insurance Contracts, the forthcoming standards above are not expected to have a significant impact on the Group's and Company's performance. Management is still assessing the impact of IFRS 17 on the group.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls a subsidiary if, and only if, the Group has:
- Power over the subsidiary (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation *(continued)*

Profit or loss and each component of OCI are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(ii) Changes in ownership interests in subsidiaries without change of control

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

(iii) Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. The Group's investment in its associate is accounted for using the equity method of accounting while the Company's investment in associate is accounted for using the cost method.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's and company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity, either directly or through other comprehensive income. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates after factoring in other comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation *(continued)*

(iii) Associates *(continued)*

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of profit and loss.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. Any interest in the equity of the associate that was recorded directly in other comprehensive income of the investor is recycled to the profit or loss and is included in the calculation of the gain or loss on disposal.

(d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group's identifiable assets and liabilities are measured at their acquisition-date fair value.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. Non-controlling interests that are not present ownership interests are measured at fair value. This accounting policy choice can be made on an individual business combination basis.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(d) Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the amount recognised for non-controlling interests, and any previous interest held, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(e) Insurance contracts

Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Insurance contracts are classified into two main categories depending on the duration of risk and as per the provisions of the Insurance Act:

Long term insurance business

Includes insurance business of all or any of the following classes: namely, Ordinary life, Group life, Annuities, and Pension and business incidental to any such class of business.

Life assurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and includes a contract which is subject to the payment of premiums for a term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for a term dependent upon human life.

Short term insurance business

This is insurance business of any class or classes that is not long term insurance business. Classes of general Insurance include Engineering insurance, Fire insurance – domestic risks, Fire insurance – industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance – private vehicles, Motor insurance – commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance. Miscellaneous insurance refers to other classes of business not included under those listed above.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Insurance contracts *(continued)*

Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of motor vehicles, inclusive of third party risks but exclusive of transit risks.

Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class.

Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

Revenue recognition

(i) Gross written premiums

For long term insurance business, gross recurring premiums on life contracts are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

For shorter term insurance business, gross written premiums under insurance contracts comprise the total premiums receivable for the whole period of the cover provided by the contract and are recognised on the date on which the policy incepts.

Gross earned premiums comprise the total premiums receivable for the respective accounting period which is under consideration and are recognised up to the end of the reporting period. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. Premiums are presented gross of commission and any taxes or duties levied on premiums.

(ii) Reinsurance premiums ceded

The gross reinsurance premiums on life are recognised as an expense when payable or on the date on which the policy is effective. The Group's gross general written premiums under reinsurance contracts comprise the total premiums payable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(e) Insurance contracts *(continued)*

(iii) Net claims and policyholders benefits payable

For long term insurance business, gross benefits and claims include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. In accordance with the Insurance Regulatory Authority (IRA) guidelines, the liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income (for non-market linked insurance contracts this item is excluded) from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

Furthermore, the liability for life insurance contracts comprises the provision for claims outstanding which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the profit or loss.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. The reserve for outstanding claims is computed on the basis of the best information available at the time the records for the year are closed; and includes additional provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the Group's experience, and as per the requirement of the regulatory requirements in our countries of operation. This is in line with the requirements of IFRS 4.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. These costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(e) Insurance contracts *(continued)*

(iii) Net claims and policyholders benefits payable *(continued)*

Claims ceded to reinsurers

Claims ceded to reinsurers are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(iv) Deferred acquisition costs

Deferred acquisition costs represent the proportion of commission expense in the periods up to the reporting date which relates to the unexpired terms of policies in force at the end of the reporting period, and are calculated on the 1/365th method on gross commissions. The 1/365th is a time apportionment method of premium whereby the unearned premium reserve is the aggregate of unearned premium calculated on a pro-rata basis, in respect of the premiums relating to the unexpired periods of the respective insurance policies at the end of the reporting period. These commissions are recognised over the period in which the related revenues are earned.

The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and are recorded in the statement of profit or loss.

DACs are derecognised when the related contracts period elapses.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to the risks that have not yet expired at the reporting date.

(v) Reinsurance contracts held

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

The Group cedes insurance risk in the normal course of business for all of its businesses. 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.

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Insurance contracts *(continued)*

(v) Reinsurance contracts held *(continued)*

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss for the year. Included in this category are receivables arising from reinsurance arrangements.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(vi) Receivables arising out of direct insurance arrangements

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

Insurance receivables are derecognised when the de-recognition criteria for financial assets are met.

(f) Income

(i) Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Interest income is recognised using EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at fair value through OCI is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore the amortised cost of the financial asset) is calculated taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using the EIR method.

The group calculates interest income on financial assets, other than those considered credit impaired, by applying the EIR to the gross carrying amount of the asset.

Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established.

(ii) Rental income is on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as an operating lease liability/asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Income *(continued)*

(iii) Dividend income

Dividend income is recognised on the date when the Group's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes which is included as part of investment income.

(iv) Fees and commission income

Commission income

Commissions earned from reinsurance premium ceded is recognised in profit or loss in the period in which it is earned. If the fees are for services provided in future periods, they are deferred and recognised over those future periods

Realised / unrealised gains and losses

Realised / unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transactions. More details on the on how the gains have been arrived has been discussed in the specific policies relating to the assets.

Revenue from contract with customers

Fund management fees
The Group recognizes revenue only when it satisfies a performance obligation by transferring control of the service to its customers. The performance obligation is satisfied over time as the customer simultaneously consumes the benefits provided by the Group as the Group performs.

The Group provides fund management services. The agreement for fund management services specifies the performance obligation as to carry out the management and administration of the fund, be responsible for investing and re-investing the assets. Accordingly, the Group allocates the transaction price based on the value of the asset portfolio managed.

This financial services income includes income from investment management and related activities. This is based on the value of the assets managed on behalf of clients such as fund management fees, collective investment and linked product administration fees. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

(g) Operating and other expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(g) Operating and other expenses *(continued)*

i) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property and equipment. In such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

ii) An expense is recognised immediately in profit or loss when expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

(h) Taxation

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. 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. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in 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 is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 11 of these financial statements.

The group offsets current tax assets and current tax liabilities when:
- It has a legally enforceable right to set off the recognised amounts; and
- It intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The net amount of current income tax recoverable from, or payable to, the taxation authority is included on a separate line in the statement of financial position of these financial statements.

Deferred income tax

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised, or the deferred tax liability is settled.

Deferred income tax is provided on temporary differences except those arising on the initial recognition of goodwill, 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 nor loss. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Taxation *(continued)*

temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that led to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity.

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

Income Taxes

Value Added Tax (VAT) and premium taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of VAT and premium taxes except:

- when the VAT or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, or
- receivables and payables that are measured with the amount of VAT or premium tax included.

Outstanding net amounts of VAT or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(i) Earnings per share

The Group calculates basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Earnings per share *(continued)*

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:
(i) profit or loss from continuing operations attributable to the parent entity; and
(ii) profit or loss attributable to the parent entity

are the amounts in (i) and (ii) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

(j) Translation of foreign currencies

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Group's presentation currency is the Kenyan Shilling ("KShs").

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions performed by the companies of the Group and from the translation of monetary assets and liabilities into each entity's functional currency are recognized in profit or loss. Effects of exchange rate changes on the fair value of equity instruments are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (are translated into the presentation currency as follows:
i) assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date;
ii) income and expenses for each statement of profit or loss and statement of other comprehensive income are translated either at the rates prevailing at the dates of the transactions or at average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into the group's presentation currency using the following procedure: all amounts (i.e. assets, liabilities, equity items, income and expenses) shall be translated at the closing rate at the date of the most recent statement of financial position.

When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Inflation accounting

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with the criteria of IAS 29. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from South Sudan Consumer Price Index (CPI) compiled by Trading Economics. The conversion factors used to restate the financial statements at 31 December 2020, using a 2014 base year, are as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(j) Translation of foreign currencies *(continued)*

Inflation accounting *(continued)*

Year	CPI	Conversion factor
2014	170.8	12.14
2015	356.78	5.79
2016	2,068.36	1
2017	4,502.21	0.78
2018	6,305.98	0.66
2019	10,656.52	0.63
2020	16,840.6	0.62
Average CPI 2020	13,748.56	

**The average CPI was obtained by calculating average of closing CPIs for the years 2019 and 2020*

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in components of other comprehensive income and taken to a separate component of equity.

The comparative information of the Group has not been adjusted for subsequent changes in price level or subsequent changes in exchange rates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(k) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses except for buildings which are measured based on revalued amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when the future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Buildings are measured according to the revaluation model stated at fair value, which reflects market conditions at the reporting date.

Increases in the carrying amount of land and buildings arising on revaluation are dealt with through other comprehensive income and accumulated under a separate heading of revaluation surplus in the statement of changes in equity. Decreases that offset previous increases of the same asset are dealt with through other comprehensive income and reversed from revaluation surplus in the statement of changes in equity; all other decreases are charged to profit or loss for the year. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Property and equipment *(continued)*

Buildings	40 years
Computers	4 years
Motor vehicles	4 years
Furniture, fittings and equipment	8 years
Leasehold improvements	10 years

Property and equipment are reviewed for impairment as described in note (t) whenever there are any indications of impairment identified.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its continued use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to the difference of the carrying amounts and disposal proceeds. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings. The date of disposal of an item of property, and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included is the gain or loss arising from the derecognition of property and is determined in accordance with the requirements for determining the transaction price in IFRS 15.

The residual value, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end are adjusted prospectively, if appropriate.

(l) Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost including the transaction costs. The investment properties are subsequently carried at fair value, representing the open market value at the reporting date determined by annual valuations by independent valuers. Gains or losses arising from changes in the fair value are included in the profit or loss for the year to which they relate.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognised when either they have been disposed off (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss. The date of disposal of investment property is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Investment properties *(continued)*

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under plant and equipment to the date of change in use.

(m) Intangible assets

Software licence costs and computer software that are not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Group are recognised as intangible assets.

Softwares under implementation are recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such softwares includes professional fees and costs directly attributable to the software. The softwares are not amortised until they are ready for the intended use.

The useful lives of intangible assets are assessed as either finite or indefinite. The group does not have assets with indefinite life and hence the amortisation is calculated using the straight-line method to write down the cost of each licence or item of software over its estimated useful life (four years).

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Intangible assets have finite lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The date of disposal of an item of intangible asset is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included in the gain or loss arising from the derecognition of an intangible asset is determined in accordance with the requirements for determining the transaction price in IFRS 15.

(n) Accounting for leases

The Group leases rental office spaces. The Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(n) Accounting for leases *(continued)*

Group acting as a lessee

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

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk free borrowing rate adjusted for country premium.

For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.
The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

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

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

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

Leases where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with these leases as an expense over the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Accounting for leases *(continued)*

A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis. The Group's total short term and low value lease portfolio is not material. The Group also leases office equipment such as printers and for which certain leases are short term.

Determination

The determination of whether an arrangement is, (or contains), a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination took place. The Group is both lessee and a lessor.

The Group as the lessor – Investment properties leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include Consumer Price Index (CPI) increases, but there are no other variable lease payments that depend on an index or rate.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Provisions

General provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

(p) Employee benefits

Defined contributions provident fund

The Group operates a defined contributions post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the Group. The assets of the fund are held and administered independently of the Group's assets.

Statutory pension scheme

The Group also makes contributions to the statutory defined contribution schemes in the four countries where operations are based. Contributions to defined contribution schemes are recognised as an expense in profit or loss as they fall due.

Leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

Bonus

An accrual is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal and constructive obligation to pay this amount as a result of past service provided by the employee, the obligation can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(p) Employee benefits *(continued)*

Termination Benefits

The Group recognises a liability and expense for termination benefits at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

i) For termination benefits payable as a result of an employee's decision to accept an offer of benefits in exchange for the termination of employment, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction (eg a legal, regulatory or contractual requirement or other restriction) on the entity's ability to withdraw the offer takes effect. This would be when the offer is made, if the restriction existed at the time of the offer.

ii) For termination benefits payable as a result of the Group's decision to terminate an employee's employment, the Group then can no longer withdraw the offer when it has communicated to the affected employees a plan of termination meeting all of the following:
   - ctions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made;
   - The plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations (but the plan need not identify each individual employee) and the expected completion date; and
   - The plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

(q) Segment reporting

An operating segment is a component of an entity:

i) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

ii) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

iii) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example start-up operations may be operating segments before earning revenues. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the Group Chief Executive Officer). The Group Chief Executive Officer allocates resources to and assesses the performance of the operating segments of the Group. The operating segments are based on the Group's management and internal reporting structure.

The Group is considered to comprise three business segments: general insurance business, long term insurance business and asset management business; and four geographical segments in: Kenya, South Sudan, Uganda and Malawi.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. The Group bases its impairment calculation on detailed budgets and forecast calculations which are detailed in its five-year strategic plan. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after fifth year.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss to the amount of an impairment already taken to profit or loss while the remainder will be a revaluation amount through other comprehensive income.

(s) Fair value measurement

The Group measures financial instruments classified as financial assets at fair value through OCI and financial assets at fair value through profit or loss including investment properties at fair value and fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Fair value measurement *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Involvement of external valuers is decided upon annually by the Finance General Manager (GM), who discusses the basis and assumptions with the valuer. The Group Chief Financial Officer then approves this. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Fair value related dsclosures have been made in note 55.

(t) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Financial assets

In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include Loans and receivables, cash and cash equivalents, deposits with financial institutions, commercial papers, corporate bonds, other receivables, government securities at amortised cost and due from related parties.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

Business model assessment

The group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group considers the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The expected frequency, value, and timing of asset sales are important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms to identify whether they meet the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the period for which the interest is set.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Group's business model for managing them. Except for other receivables and amount due from related parties, which do not contain significant financing components, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

For a financial asset to be classified and measured at amortised cost or at fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The unquoted financial assets have been designated at fair value through OCI because the Group intends to hold the assets into perpetuity. The Group has designated its equity investments previously classified as available-for-sale as equity investments at FVOCI on the basis that these are not held for trading.

The Group's financial assets designated at fair value through OCI (equity instruments) are the unquoted equity investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group has classified quoted equity instruments and investments in collective investment scheme in this category.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Financial instruments *(continued)*

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Group considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result into cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

Impairment of financial assets

Overview of ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The calculation of ECLs

The Group calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Group does not have financial guarantees, loan commitments, letters of credit and financial assets which are purchased or originated credit impaired (POCI).

When estimating the ECLs, the Group considers three scenarios (a base case, optimistic (upside) and pessimistic (downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the staff loans and mortgages will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial asset at amortised cost unless the Group has the legal right to call it earlier.

Forward looking information

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The Group did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(t) Financial instruments *(continued)*

The Group allocates its assets subject to ECL calculations into these categories determined as follows:

- 12MECL (Stage 1) -The 12mECL is calculated as the portion of the LTECL that represents the ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring within 12 months following the reporting date.
- LTECL (Stage 2)-This is recorded when a financial instrument has shown a significant increase in credit risk since origination.
- Impairment (Stage 3) -For debt instruments considered credit-impaired, the Group recognises the lifetime expected credit losses for these instruments.
- For other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Collateral valuation

To mitigate its credit risk on financial assets (staff loans), the Group seeks to use collateral, where possible. The collateral is in form of real estate or motor vehicles. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculations of ECLs for staff loans. It is generally assessed, at a minimum, at inception and reassessed on annual basis. Collaterals such as real estate, is valued based on data provided by third parties such as real estate valuers.

Collateral repossessed

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of the repossessed value or the carrying amount of the original secured asset. Assets for which selling is determined to be the better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or motor vehicles but engages its procurement department to auction the asset to settle the outstanding debt. Any surplus funds are returned to the obligors. Because of this practice, the real estate properties and motor vehicles under legal repossession processes are not recorded in the balance sheet.

Write offs

Financial assets are written off either partially or in entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount Any subsequent recoveries are credited to credit loss expense. There were no write offs over the period reported in these financial statements.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Financial instruments *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include other payables and amounts due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Management only designates, on an instrument – by– instrument basis, an instrument at FVPL upon initial recognition when one of the following criteria are met:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

The Group has designated unit linked contracts as financial liabilities at fair value through profit or loss.

(u) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investment comprising of fixed deposits with financial institutions with original maturities of three months or less. and are subject to an insignificant risk of changes in value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividend distributions to the shareholders are recognised as a liability in the financial statements in the year in which the dividends are declared and approved by the shareholders.

(x) Events after the reporting date

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events even after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable. The entity's owners have no power to amend the financial statement after issue. Refer to note 63 for more details

(y) Share capital and share premium

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 attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

(z) Statutory fund

The Group matches the assets to liabilities, after which there is a surplus/deficit that is transferred to the statutory fund. The Insurance Act regulations stipulate that only a maximum of 30% of this can be transferred to the shareholders. The statutory actuary advises on the amount to be transferred to the shareholders. When a transfer is made to the shareholders, tax at the prevailing corporation rate 2020: 25% (2019:30%) is incurred.

(aa) Discretionary Participation Features (DPF)

A DPF gives holders of these contracts the right to receive, as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. The amount or timing of the additional benefits is contractually at the discretion of the Group. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders based on recommendation by the statutory Actuary. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders.

All DPF liabilities including unallocated surpluses at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ab) Product classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Once a contract has been classified as an insurance contract (life and general) it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without DPF. The insurance contracts with DPF are majorly for Life Assurance, while the insurance contracts without DPF are both in general and life businesses. For investments contracts however, the group does not have investments contract with DPF, the investments contracts without DPF include the unit linked contracts. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following conditions:

- Likely to be a significant portion of the total contractual benefits; and
- The amount or timing of which is contractually at the discretion of the issuer.

That are contractually based on:

- The performance of a specified pool of contracts or a specified type of contract;
- Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; and
- The profit or loss of the company, fund or other entity that issues the contract.

(ac) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes of presentation in the current year.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Company. Management applies judgement in determining the best estimate of future experience. Judgements are based on historical experience and management's best estimate expectations of future events, taking into account changes experienced historically. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying values of the affected assets and liabilities.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of premium receivables

The Group reviews its individually significant balances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgements about the debtor's financial situation. This estimate to provide all debts over 120 days is based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance (note 27).

(b) Right of Use asset and lease liabilities

Estimates are made in determining the carrying values of the right of use asset and lease liability.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay'. The Group estimates the IBR using observable inputs (such as market interest rates).

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(continued)*

(c) Valuation of life insurance contract liabilities

Critical assumptions are made by the actuary in determining the present value of actuarial liabilities. The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry and mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders updated annually. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

(d) Valuation of non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liabilities in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using the chain ladder method. The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. Similar judgements, estimates and assumptions are employed in the assessment of adequacy

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(continued)*

(d) Valuation of non-life insurance contract liabilities *(continued)*

of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

(e) Revaluation of property and investment properties

The Group carries certain classes of property and equipment at fair value, with changes in fair value being recognised in other comprehensive income. Land and buildings were valued based on open market value by independent valuers. For investment properties valuation methodologies were used by reference to properties of similar nature, location and condition amongst other factors which are highly judgemental.

(f) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group tracks changes in credit risk and recognises a loss allowance based on lifetime ECLs at each reporting date. See specific notes for financial assets that are subject to impairment assessment.

When estimating the ECLs, the Group considers three scenarios: a base case, optimistic (upside) and pessimistic (downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the staff loans and mortgages will cure and the value of collateral or the amount that might be received for selling the asset.

(g) Contingent liabilities

Tax assessment

The Kenya Revenue Authority (KRA) carried out an audit on the group companies during the year covering VAT, Excise Duty and Corporation Tax for the period between 2011 and 2014. KRA raised tax assessments as shown below for the respective subsidiary.

Group	Type of tax	Amount (KShs 'million)
CIC General Insurance Limited	Excise duty	44
CIC Asset Management Limited	VAT (interest and penalties)	11
Total		**55**

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(continued)*

(g) Contingent liabilities *(continued)*

Tax assessment *(continued)*

In the opinion of management and after taking appropriate tax advice, the balance of KShs 55 million is not payable and they have appealed the matter through the Tax Appeals Tribunal to review the assessment. The directors are of the opinion that the outcome of their appeal will be favourable hence no provision has been made for any tax liability that may arise from this assessment in these financial statements.

Income taxes

The Group is subject to income taxes. Significant judgement is required in determining the Group's provision for income taxes and to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. The Group uses judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision is based on which approach provides better predictions of the resolution of the uncertainty. The Group assumes that the taxation authority will examine amounts reported to it and will have full knowledge of all relevant information when doing so. Where the Group concludes that it is probable that a particular tax treatment will be accepted, it determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment will be accepted, it uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The method should be based on which method provides better predictions of the resolution of the uncertainty.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay'. The group estimates the IBR using observable inputs (such as market interest rates).

Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

3. SEGMENT INFORMATION

In accordance with IFRS 8: Operating segments, the information presented hereafter by operating segment is the same as that reported to the Chief Operating Decision Maker (the Group Chief Executive Officer) for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Under IFRS 8, the Group's reportable segments are life assurance business, general insurance business and other. Life assurance business comprises the underwriting of risks relating to death of an insured person and includes contracts subject to the payment of premiums for a long-term dependent on the termination or continuance of the life of an insured person. General insurance business relates to all other categories of insurance business written by the Group and is analysed into several sub-classes of business based on the nature of the assumed risks. Other business comprises fund management and advisory services businesses and investments. The Group's main geographical segment of business is in Kenya.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There are no intersegment revenues and no single customer accounts for more than 10% of the revenue.

Factors that management uses to identify the entity's reportable segments

CIC Insurance Group PLC segments are strategic companies that offer different products and are managed separately based on regulatory requirements.

Description of the types of products and services from which each reportable segment derives its revenues

CIC Insurance Group PLC has reportable segments; general insurance business, long term insurance business and other business.

Group management internally evaluates its performance based upon:

- Reportable segment profits after tax.
- Capital employed (defined as the total of intangible and tangible assets and working capital).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SEGMENT INFORMATION (continued)

The various products and services that the reporting segments derive their revenues from have been described as follows.

		2020 KShs'000	2019 KShs'000
(a)	Gross written premiums		
	General insurance business		
	Motor	4,278,174	4,575,646
	Medical	4,371,559	4,223,825
	Fire	908,650	919,442
	Personal accident	242,732	305,300
	Theft	668,559	649,233
	Public liability	91,574	109,658
	Marine	97,365	115,592
	Engineering	256,294	456,448
	Miscellaneous accident	421,620	492,939
	Others	344,455	408,314
	Sub - total	11,680,982	12,256,397
	Life assurance business		
	Ordinary life	1,187,081	1,462,718
	Group life	4,120,218	3,976,813
	Sub - total	5,307,299	5,439,531
	Total gross written premiums	16,988,281	17,695,928
(b)	Gross earned premiums		
	General insurance business		
	Motor	4,231,345	4,679,622
	Medical	4,486,394	3,882,890
	Fire	914,709	907,873
	Personal accident	246,179	310,160
	Theft	702,548	624,075
	Public liability	102,058	104,634
	Marine	107,162	123,275
	Engineering	350,832	401,489
	Miscellaneous accident	426,064	506,913
	Others	369,529	423,988
	Sub - total	11,936,820	11,964,919
	Life assurance business		
	Ordinary life	1,187,081	1,462,718
	Group life	4,120,218	3,869,063
	Sub - total	5,307,299	5,331,781
	Total gross earned premiums	17,244,119	17,296,700

3. SEGMENT INFORMATION *(continued)*

(b) Gross earned premiums *(continued)*

Reconciliation between gross written premiums and gross earned premiums

	2020 KShs '000	2019 KShs '000
Gross written premiums	16,988,281	17,695,928
Movement in Unearned Premium Reserve (note 48)	255,838	(399,228)
Gross earned premiums	17,244,119	17,296,700

(c) Reinsurance premiums ceded

	2020 KShs '000	2019 KShs '000
General insurance business class		
Motor	182,778	177,008
Medical	292,293	141,998
Fire	572,664	549,275
Engineering	174,304	357,897
Personal accident	89,349	59,701
Theft	326,451	178,333
Miscellaneous accident	373,414	440,992
Marine	33,221	29,683
Public liability	21,599	24,410
Others	22,147	52,513
Reinsurance share of increase in UPR (note 48)	104,812	(131,261)
Sub – total	2,193,032	1,880,549
Life assurance business class		
Group life	1,097,345	1,001,044
Ordinary life	14,764	18,220
Sub – total	1,112,109	1,019,264
Total reinsurance premiums	3,305,141	2,899,813

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SEGMENT INFORMATION *(continued)*

(d) Investment income:

General insurance business class

(i). Interest revenue calculated using the effective interest method	2020 KShs'000	2019 KShs'000
Interest from government securities at amortised cost – debt instruments	107,809	86,117
Interest on financial assets at amortised cost - corporate bonds	(481)	1,321
Interest from debt instruments at FVOCI	174,022	195,295
Amortisation of financial assets	(777)	2,291
Interest on staff loan receivables	4,195	5,465
Interest on bank deposits	198,868	248,587
Interest from deposits and commercial papers	4,517	9,175
	488,930	545,960
(ii). Other investment income		
Fair value loss on government securities reclassified from prior periods	-	-
Dividend income from equity instruments at FVPL	18,240	23,994
Rental income from investment properties	145,921	135,724
Sub – total	164,161	159,718

Life assurance business class

(i) Interest revenue calculated using the effective interest method	2020 KShs'000	2019 KShs'000
Interest from government securities at amortised cost – debt instruments	223,944	176,241
Interest on financial assets at fair value through other comprehensive income – debt instruments	383,084	283,319
	607,028	459,560
(ii) Other investment income		
Dividend income	16,013	22,528
Rental income from investment properties	35,082	35,157
Sub – total	51,095	57,685

3. SEGMENT INFORMATION *(continued)*

(d) Investment income *(continued)*

Other business category	2020 KShs'000	2019 KShs'000
(i) Interest revenue calculated using the effective interest method		
Interest from government securities at amortised cost	25,301	22,646
Interest on financial assets at amortised cost - Corporate bonds	6,146	7,365
Interest on deposits and commercial papers	-	74,561
Interest on deposit with financial institutions	78,299	148,319
Interest on staff loan receivables	569	992
	110,315	253,883
(ii) Other investment income		
Interest on deposits and commercial papers	2,268	2,929
Dividend income	561	626
Fair value on equity investment at fair value through profit or loss	-	1,167
Other income	37,303	5,212
Sub – total	150,447	263,817
Total investment income (i&ii)	1,461,661	1,486,740

(e) Claims and policy holders' benefits expenses

	2020 KShs'000	2019 KShs'000
General insurance business class		
• Gross benefits and claims paid	7,135,368	7,570,887
• Claims ceded to reinsurers	(1,050,976)	128,589
• Gross change in insurance contract liabilities	858,554	(412,396)
• Change in contract liabilities ceded to reinsurers	(117,744)	(134,400)
Sub – total	6,825,202	7,152,680
Life insurance business class		
Gross incurred claims	3,236,085	2,606,223
Add: Reinsurance recoveries	(1,077,380)	(736,564)
Less Gross change in actuarial reserves	914,667	1,080,631
Reinsurer's share of change in actuarial reserves	56,034	(62,502)
Sub – total	3,129,406	2,887,788
Total claims and policy holders' benefits expenses	9,954,608	10,040,468

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SEGMENT INFORMATION *(continued)*

(f) Other disclosures:

31 December 2020	General Insurance business KShs'000	Life Assurance Business KShs'000	Other business KShs'000	Total KShs'000
Reportable segment profits after tax	15,355	60,204	(372,391)	(296,832)
Reportable segment total assets	15,820,347	16,991,575	9,701,767	42,513,689
Less intrasegment balances:				
: Related party balances	148,537	260,520	(261,364)	147,693
: Investment in subsidiaries	(1,700,000)	(800,000)	(1,375,210)	(3,875,210)
Reportable segment total assets - net	14,268,884	16,452,095	8,065,193	38,786,172
Reportable segment total liabilities	10,065,360	14,351,434	6,765,222	31,182,016
Less: related party balances	(19,674)	(4,639)	-	(24,313)
Net	10,045,686	14,346,795	6,765,222	31,157,703
Interest income	310,391	607,028	110,315	1,027,734
Interest expense	-	-	441,495	441,495
Income tax charge/(credit)	(239,116)	(25,802)	47,630	(217,288)
Fees and commission income	383,601	303,557	772,234	1,459,392
Depreciation of property and equipment	53,768	36,789	61,900	152,457
Amortisation of intangible assets	13,775	2,407	8,251	24,433
Property and equipment additions	11,961	3,455	19,438	34,854
Intangible assets additions	-	1,142	42,809	43,951

31 December 2019	General Insurance business KShs'000	Life Assurance Business KShs'000	Other business KShs'000	Total KShs'000
Reportable segment profits after tax	278,110	114,064	(70,583)	321,591
Reportable segment total assets	15,235,226	15,148,379	8,659,260	39,042,865
Less intra-segment balances:				
: Related party balances	83,118	231,111	(187,936)	126,293
: Investment in subsidiaries	(1,700,000)	(800,000)	(1,366,088)	(3,866,088)
Reportable segment total assets - net	13,618,344	14,579,490	7,105,236	35,303,070
Reportable segment total liabilities	9,424,264	12,576,760	5,488,657	27,489,681
Less: related party balances	(29,391)	(10,153)	-	(39,544)
Net	9,394,873	12,566,607	5,488,657	27,450,137
Interest income	341,490	463,674	180,488	985,652
Interest expense	-	-	650,000	650,000
Income tax charge/(credit)	(61,512)	(48,884)	46,398	(63,998)
Fees and commission income	445,377	305,371	530,906	1,281,654
Depreciation of property and equipment	83,063	38,695	65,843	187,601
Amortisation of intangible assets	14,108	2,145	6,424	22,677
Property and equipment additions	19,643	4,918	42,327	66,888
Intangible assets additions	485	-	1,313	1,798

3. SEGMENT INFORMATION *(continued)*

(f) Segment information by geographical segments

31 December 2020	Kenya KShs'000	Sudan KShs'000	Uganda KShs'000	Malawi KShs'000	Inter segment eliminations	Total KShs'000
Net earned premium	12,493,325	608,937	443,777	392,939	-	13,938,978
Non- current assets	732,855	166,960	34,829	22,524	466,698	1,423,866
31 December 2019						
Net earned premium	13,030,090	648,901	485,673	232,223	-	14,396,887
Non- current assets	816,262	165,462	24,573	11,379	452,318	1,469,994

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

4. (a) Fees and commissions income

General insurance business	2020 KShs'000	2019 KShs'000
Engineering	56,155	106,692
Fire	202,208	239,246
Liability	4,107	4,104
Others	187,289	140,982
Sub – total	449,759	491,024
Life assurance business		
Group life	294,798	303,244
Ordinary life	17,681	3,551
Sub – total	312,479	306,795
Other business		
Fund management fees	628,085	433,678
Administration fee	68,601	48,732
Other income	468	1,425
Sub – total	697,154	483,835
Total	1,459,392	1,281,654

(b) Commissions expense*

General Insurance business	2020 KShs'000	2019 KShs'000
Engineering	62,462	65,088
Fire	235,867	203,865
Liability	20,250	32,631
Medical	453,369	414,987
Motor	403,852	574,485
Marine	20,671	19,516
Miscellaneous	20,179	42,506
Theft	123,552	115,360
Personal Accident	46,339	61,756
Workmen Injury Benefit Act (WIBA)	65,075	81,733
Others	206,099	120,618
Sub – total	1,657,715	1,732,545
Life assurance business		
Group life	374,125	367,048
Ordinary Life	127,425	141,504
Sub – total	501,550	508,552
Total	2,159,265	2,241,097

5. INVESTMENT INCOME

GROUP	2020 KShs'000	2019 KShs'000
(i) Interest revenue calculated using the effective interest method		
Interest on financial assets at amortised cost – Government securities	245,828	184,851
Interest on deposit with financial institutions	280,591	358,627
Interest on financial assets at amortised cost - Corporate bonds	-	22,733
Amortisation of corporate bond (note 20)	15,510	6,803
Interest on staff loan receivables	44,864	33,952
Interest income on financial assets at fair value through OCI- Government securities	645,623	476,323
Interest income from deposits and commercial papers	11,233	142,526
Discount on government securities classification (note 21)	(9,206)	(1,823)
	1,234,443	1,223,992
(ii) Other investment income		
Dividend income	34,814	47,148
Rental income from investment properties	192,404	176,206
Interest on Unit trusts	-	39,394
	227,218	262,748
Total (i&ii)	1,461,661	1,486,740
Investment income earned on financial assets, analysed by category of asset is as follows:		
Financial asset at amortised cost	588,820	786,791
Financial asset at fair value through OCI	645,623	476,323
Dividend income	34,814	47,148
Investment income earned on non-financial assets	192,404	176,478
Total investment income	1,461,661	1,486,740

Other fair value gains relating to financial assets classified as fair value through profit or loss is included in other gains and losses in note 6.

COMPANY	2020 KShs'000	2019 KShs'000
(i) Interest revenue calculated using the effective interest method		
Interest on deposits with financial institutions	60,925	146,644
(ii) Other investment income		
Dividend Income	50,000	323,000
Total investment income	50,000	323,000

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

6. OTHER GAINS

GROUP	2020 KShs'000	2019 KShs'000
Fair value gain on investment properties (note 15 (a))	6,330	207,850
Fair value gain/(loss) on quoted equity investments at fair value through profit or loss (note 25)	(227,256)	82,420
Fair value on investment in collective investment scheme	86,867	36,312
Miscellaneous income*	70,453	80,258
	(63,606)	406,840
COMPANY		
Fair value gains on investment properties (note 15 (b))	-	200,000
Fair value on investment in collective investment scheme	1,796	-
Miscellaneous income	994	5,070
	2,790	205,070

**Miscellaneous income includes exchange gains, medical administration fees, sale of scraps, medical card replacement fees and sale of tenders and branded merchandise.*

7. CLAIMS AND POLICYHOLDERS BENEFITS EXPENSES

	2020 KShs '000	2019 KShs '000
Claims and policyholders benefits payable:		
Gross benefits and claims paid	(10,556,920)	(10,349,563)
Gross change in insurance contract liabilities	(1,702,446)	(954,252)
Change in contract liabilities ceded to reinsurers	176,402	134,400
Claims ceded to reinsurers	2,128,356	1,128,946
Net benefits and claims	(9,954,608)	(10,040,469)

8. OPERATING AND OTHER EXPENSES

(a) GROUP

	2020 KShs'000	2019 KShs'000
The following items have been charged in arriving at profit before taxation:		
Staff costs (note 8 (b))	1,850,269	1,905,680
Auditors' remuneration	22,359	22,545
Directors' emoluments - Fees	56,341	56,290
Directors' other expenses (travel and accommodation)	1,723	7,159
Subsidiaries' board expenses	-	2,426
Depreciation of property and equipment (note 13 (a))	152,457	187,601
Amortisation of intangible assets (note 16 (a))	24,433	22,677
Impairment charge for doubtful premium receivables (note 28(a))	276,467	106,357
Depreciation on the right of use (note 14(a)	97,927	82,792
Premium tax	118,472	116,617
Staff welfare	310,247	334,693
Utilities	235,057	337,961
Software licence costs	84,422	63,893
Printing and stationery	57,061	58,453
Business advertising and promotion	318,794	204,080
Professional fees	215,087	214,039
Statutory levies	56,954	57,092
Professional subscriptions	5,371	4,648
Pension capitalisation	-	5,233
Investment management fees	-	1,538
Performance incentive	34,634	372,179
Other expenses*	179,521	147,301
	4,097,596	4,311,254

**Other expenses relate to tender costs, postage, donations, entertainment and purchase of newspapers.*

(b) STAFF COSTS

	2020 KShs'000	2019 KShs'000
Staff costs include the following:		
- Salaries and allowances**	1,696,178	1,758,841
- Defined contribution expense	113,108	115,471
- Termination benefits expense	11,058	4,791
- Leave pay	29,925	26,577
	1,850,269	1,905,680
Number of employees	543	563

***Included in the staff costs is salary and allowances of KShs 30 million (2019: KShs 155 million) paid to the Group Chief Executive Officer, who is also a director.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

8. OPERATING AND OTHER EXPENSES *(continued)*

(c) COMPANY

	2020 KShs'000	2019 KShs'000
Utilities	4,402	4,460
Depreciation of property and equipment (note 13 (b))	22,442	20,415
Amortisation of intangible assets (note 16 (b))	4,511	6,606
Audit fee	2,200	4,200
Annual General Meeting expenses	-	9,281
Professional fees	4,605	21,811
Share registration cost	7,751	9,868
Depreciation on the right of use (note 13(b)	19,588	21,753
Amortisation of bond expenses	-	20,086
Amortisation of loan expenses	33,813	3,383
Investment management fees	-	1,538
Printing and Stationery	-	3,222
Advertisement and Promotion	837	13,306
Other expenses	8,516	18,972
	108,665	158,901

(d) PROFIT BEFORE TAX

GROUP

	2020 KShs'000	2019 KShs'000
The profit before tax is stated after charging:		
Depreciation of property and equipment	152,457	187,601
Amortisation of intangible assets	24,433	22,677
Audit fee	22,359	22,545
Staff costs	1,850,269	1,905,681
Provision for doubtful premium receivables	276,467	106,357

COMPANY

	2020 KShs'000	2019 KShs'000
The profit before tax is stated after charging:		
Depreciation of property and equipment	22,442	20,415
Amortisation of intangible assets	4,511	6,606
Audit fee	2,200	4,200

(e) GROUP

	2020 KShs'000	2019 KShs'000
Allowance for expected credit losses:		
• Corporate bonds (note 20)	358	(15)
• Loans receivable –Mortgage loans (note 22(a)	(280)	(1,580)
• Other Loans (note 22(b)	(3,782)	(3,220)
• Deposits and commercial papers (note 26(a))	635	(201)
• Other receivables (note 30(a))	782	83
• Due to related parties (note 31)	7,623	(106)
• Deposits with financial institutions (note 32(a)	10,559	(23,695)
	15,895	(28,734)

9. LOSS ON MONETARY POSITION (CIC AFRICA SOUTH SUDAN)

One of the Group's subsidiaries, CIC Africa Insurance (SS) Limited operates in South Sudan, a hyperinflationary economy.

The company previously used the United States Dollar ("USD") as its functional currency and did not therefore apply the hyperinflationary accounting requirements in IAS 29. The company re-assessed the functional currency during the year ended 31 December 2020 and concluded that the South Sudanese Pound (SSP) was the functional currency. Appropriate adjustments have been made to effect the change in functional currency and to comply with the requirements of IAS 29. The cumulative impact on the Group financial statements for previous years was not material to warrant a restatement, and the adjustment has therefore been included in the profit or loss for the year ended 31 December 2020.

IAS 29 Financial reporting in hyperinflationary economies requires financial statements that are prepared in the currency of a hyper-inflationary economy to be stated in terms of the value of money at the end of the reporting period. The IAS 29 approach is to restate all non-monetary balances recognised in the financial statements (including comparatives) to the year-end general purchasing power of the functional currency and requires the use of a general price index to reflect changes in purchasing power.

The restatement procedures are summarised as follows:

- Selection of a general price index - Most governments issue periodic price indices.
- Segregation of monetary and non-monetary items - Monetary items do not need to be restated, because they represent money held, to be received or to be paid.
- Restatement of non-monetary items - Non-monetary assets and liabilities are restated in terms of the measuring unit current at the end of the reporting period.
- Restatement of shareholders' equity - All components of shareholders' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later
- Restatement of the income statement - All items in comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expense were originally recorded.
- Tax - Current taxes are restated with reference to movements in the general price index.
- Calculation and proof of the monetary gain or loss – The difference between the historical cost amounts and the result from the restatement of non-monetary items, shareholders' equity, items in the statement of comprehensive income and the adjustment of index-linked items to year end purchasing power.

Statement Showing the Net Monetary Result on Account of Price Level Changes in 2020

Calculation of Purchasing Power Gain/Loss	Unadjusted KShs'000	Conversion Factor KShs'000	Adjusted KShs'000	Net Loss on Monetary Items KShs'000
Net Monetary Assets as at 1 Jan 2020	436,117	1.58	689,200	(253,083)
Less: Decrease in Monetary Assets	127,808	1.22	156,552	(28,744)
Subtotal	563,925	-	845,752	(281,827)
Less: Increase in Monetary Liabilities	(257,531)	1.22	(315,450)	57,919
Net Monetary Assets (Or Net Monetary Liabilities)	306,394	-	530,302	(223,908)
Impact of prior years	-	-	-	(50,381)
Total Loss on Monetary Position	306,394	-	530,302	(274,289)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

10. FINANCE COST

	2020 KShs'000	2019 KShs'000
(a) Group		
Interest expense on borrowings (note 42)	407,069	641,781
Interest Expense on lease liability	34,426	28,334
	441,495	670,115
(b) Company		
Interest expense on borrowings (note 42)	407,069	641,781
Interest expense on related party loan	133,315	-
Interest Expense on lease liability	2,592	4,964
	542,976	646,745

11. TAXATION

GROUP

	2020 KShs'000	2019 KShs'000
(a) Statement of profit or loss		
Current tax charge on taxable income	229,783	190,875
Prior year under/(over)/ under provision	(374)	3,108
Deferred tax credit	(12,121)	(129,985)
	217,288	63,998
COMPANY		
Statement of profit or loss and other comprehensive income		
Deferred tax credit (note 17 (b))	(127,535)	(118,824)

	2020 KShs'000	2019 KShs'000
(b) Statement of financial position		
At 1 January	(179,156)	7,702
Tax charge	229,783	190,875
Prior year Under /over provision	(374)	3,108
Tax effect on expenses not deductible for tax		
Tax paid	(93,892)	(380,841)
	(43,639)	(179,156)
Split as follows		
Tax Recoverable	(122,334)	(230,387)
Tax Payable	78,695	51,231
Net	(43,639)	(179,156)

11. TAXATION *(continued)*

COMPANY	2020 KShs'000	2019 KShs'000
At 1 January	2,000	2,000
Taxation charge for the year	-	-
Paid during the year	-	-
	2,000	2,000

Reconciliation of taxation expense to expected tax based on accounting profit	2020 KShs'000	2019 KShs'000
(Loss)/profit before taxation	(79,544)	385,589
Tax calculated at a tax rate of 25% (2019:30%) for Kenya and 30% (2019:30%) for Uganda and 0% for South Sudan	28,988	184,180
Prior year (under)/ over provision	326	(3,108)
Tax effect of expenses not deductible for tax*	255,152	30,557
Tax effect of income not taxable**	(43,781)	(157,631)
Effect of change in tax rate	(23,397)	-
Tax effect on capital gains	-	10,000
Taxation charge for the year	217,288	63,998

The effective income tax rate is 273% (2019: 16.6%).

COMPANY	2020 KShs'000	2019 KShs'000
Loss before taxation	(538,657)	(132,263)
Tax calsculated at a tax rate of 25%	(134,664)	(39,679)
Tax effect of expenses not deductible for tax**	262,199	168,503
Tax effect on capital gains	-	10,000
Taxation credit for the year	127,535	118,824

The effective income tax rate is 24% (2019: 90 %).
**These expenses are valuation fees, fringe benefit tax, excess pension contributions, loss on valuation of shares etc.*
***These incomes are dividend income and interest on the infrastructure bond.*

12. EARNINGS PER SHARE – BASIC AND DILUTED

Basic earnings per share is calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue in each period as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
Profit attributable to ordinary shareholders' (KShs'000)	(232,914)	309,330	(411,122)	(13,439)
Weighted average number of shares (in thousands)	2,615,578	2,615,578	2,615,578	2,615,578
Earnings per share (KShs) – Basic and diluted (KShs)	(0.09)	0.12	(0.16)	(0.01)

There were no dilutive shares during the year (2019: Nil).

13. (a) PROPERTY AND EQUIPMENT – GROUP

2020	Buildings KShs'000	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Leasehold improvements KShs'000	Total KShs'000
COST OR VALUATION						
At 1 January	734,755	76,132	248,560	935,964	3,782	1,999,193
Additions	-	4,044	9,553	21,257	-	34,854
Disposal	-	-	(170)	-	-	(170)
Loss on revaluation	(5,431)	-	-	-	-	(5,341)
Foreign exchange differences on translation	15,232	-	-	487	-	15,719
At 31 December	744,556	80,176	257,943	957,708	3,782	2,044,165
ACCUMULATED DEPRECIATION						
At 1 January	-	44,259	209,705	686,531	378	940,873
Charge for the year (note 8)	14,625	9,465	28,720	99,234	413	152,457
Foreign exchange differences on translation	-	(1,487)	(5,264)	60	-	(6,691)
Elimination on revaluation	(14,625)	-	-	-	-	(14,625)
At 31 December	-	52,237	233,161	785,825	791	1,072,014
CARRYING AMOUNT						
At 31 December	744,556	27,939	24,782	171,883	2,991	972,151

There are no property and equipment pledged as security for liabilities. There are no contractual commitments for the acquisition of property and equipment, except for CIC Plaza South Sudan which is under finance lease.

13. (a) PROPERTY AND EQUIPMENT – GROUP *(continued)*

2019	Buildings KShs'000	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Leasehold improvements KShs'000	Total KShs'000
COST OR VALUATION						
At 1 January	716,691	46,358	240,628	913,291	3,782	1,920,750
Additions	1,309	31,809	9,877	23,893	-	66,888
Gain on revaluation	15,829	-	-	-	-	15,829
Foreign exchange differences on translation	926	(2,035)	(1,945)	(1,220)	-	(4,274)
At 31 December	734,755	76,132	248,560	935,964	3,782	1,999,193
ACCUMULATED DEPRECIATION						
At 1 January	-	38,713	193,623	559,652	378	792,366
Charge for the year (note 8)	24,826	9,018	23,210	130,169	378	187,601
Foreign exchange differences on translation	-	(3,472)	(7,128)	(3,290)	(378)	(14,268)
Elimination on revaluation	(24,826)	-	-	-	-	(24,826)
At 31 December	-	44,259	209,705	686,531	378	940,873
CARRYING AMOUNT						
At 31 December	734,755	31,873	38,855	249,433	3,404	1,058,320

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

13. (a) PROPERTY AND EQUIPMENT – GROUP *(continued)*

An independent valuation of the buildings in Kenya was carried out at 31 December 2020 by Crystal Valuers Limited, registered valuers, on open market value basis. There were no revaluation movements during the year for the property in Kenya. CIC Plaza in South Sudan was revalued on 31 December 2020 by registered valuers, Kenval Realtors Limited on open market value basis. The fair value of property and equipment are assessed every year. The valuation was conducted by an independent valuer

There were no borrowing costs related to the additions in property and equipment during the year and hence none has been capitalised. Additionally, none of the above assets was pledged as collateral for the group liabilities. The fair value disclosures for the measurement of the building has been disclosed in note 56.

(b) PROPERTY AND EQUIPMENT – COMPANY

2020	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & Equipment KShs'000	Total KShs'000
COST OR VALUATION				
At 1 January 2020	48,457	26,541	67,673	142,671
Additions	-	1,337	2,255	3,592
At 31 December 2020	48,457	27,878	69,928	146,263
ACCUMULATED DEPRECIATION				
At 1 January 2020	22,519	18,941	40,328	81,788
Charge for the year	7,887	4,784	9,771	22,442
At 31 December 2020	30,406	23,725	50,099	104,230
CARRYING AMOUNT				
At 31 December 2020	18,051	4,153	19,829	42,033

2019				
COST OR VALUATION				
At 1 January 2019	16,907	25,770	65,301	107,978
Additions	31,550	771	2,372	34,693
At 31 December 2019	48,457	26,541	67,673	142,671
ACCUMULATED DEPRECIATION				
At 1 January 2019	16,907	12,404	32,062	61,373
Charge for the year	5,612	6,537	8,266	20,415
At 31 December 2019	22,519	18,941	40,328	81,788
CARRYING AMOUNT				
At 31 December 2019	25,938	7,600	27,345	60,883

14. LEASES AS LEASEE

(a) GROUP

	2020 KShs'000	2019 KShs'000
Right of use asset		
At 1 January	165,229	248,021
Renewal/Additions	114,304	-
Amortization	(97,927)	(82,792)
At 31 December	181,606	165,229
Lease liability		
At 1 January	193,194	248,021
Renewal/Additions	121,819	-
Payment of Interest	34,426	28,334
Lease paid	(143,499)	(83,161)
At 31 December	205,940	193,194
Amounts recognised in Profit or Loss ;		
Interest on lease liabilities	34,426	28,334
Depreciation expense (note 8 (a))	97,927	82,792
Amounts recognised in Statement of Cash Flows ;		
Payment of principal of lease liabilities	109,073	54,827
Payment of interest	34,426	28,334
Increase in Right of Use Asset	114,304	-
Increase in Lease Liability	(121,819)	-
Total cash outflow for leases	135,984	83,161

Company

	2020 KShs'000	2019 KShs'000
Right of use asset		
At 1 January	28,347	50,100
Amortization	(19,588)	(21,753)
At 31 December	8,759	28,347
Lease liability		
At 1 January	29,954	50,100
Interest expense	2,592	4,964
Lease paid	(21,485)	(25,110)
At 31 December	11,061	29,954
Amounts recognised in Statement of Cash Flows		
Payment of principal of lease liabilities	18,893	20,146
Payment of interest	2,592	4,964
Total Cash outflow from Leases	21,485	25,110

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

14. LEASES AS LEASEE *(continued)*

(b) Lease liability maturity analysis

Group 2020	Due on demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Total KShs '000
Lease liabilities	-	22,081	75,900	146,883	3,859	248,723
2019						
Lease liabilities	-	19,577	54,247	144,730	-	218,554

Company 2020	Due on demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Total KShs '000
Lease liabilities	-	2,309	6,535	1,724	-	10,568
2019						
Lease liabilities	-	5,104	15,312	10,968	-	31,384

15. INVESTMENT PROPERTIES

(a) GROUP

	CIC plaza in Kenya and South Sudan KShs'000	Kiambu Land KShs'000	Kajiado Land KShs'000	Total KShs'000
At 1 January 2019	1,899,475	3,600,000	1,732,000	7,231,475
Additions	2,556	-	-	2,556
Foreign exchange differences on translation	324	-	-	324
Fair value gains (note 6)	7,850	200,000	-	207,850
At 31 December 2019	1,910,205	3,800,000	1,732,000	7,442,205
At 1 January 2020	1,910,205	3,800,000	1,732,000	7,442,205
Additions	-	-	-	-
Foreign exchange differences on translation	16,876	-	-	16,876
Fair value gains (note 6)	6,330	-	-	6,330
At 31 December 2020	1,933,411	3,800,000	1,732,000	7,465,411

(b) COMPANY

	2020 KShs'000	2019 KShs'000
Kiambu Land		
At 1 January	3,800,000	3,600,000
Additions	-	-
Fair value gains (note 6)	-	200,000
At 31 December	3,800,000	3,800,000

Net rental income on CIC Plaza arising from operating lease arrangements has been disclosed in note 5 to the financial statements.

15. INVESTMENT PROPERTIES *(continued)*

The Group's investment properties includes;

- CIC Plaza Kenya land and building valued at KShs 1.7 billion. The property was revalued at 31 December 2020 and 2019 by Crystal Valuers Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value.
- CIC Plaza South Sudan land and building valued at KShs 233 million. The property was revalued at 31 December 2020 and 2019 by Kenval Realtors Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value.
- Kajiado land valued at KShs 1.73 billion. The property was revalued at 31 December 2020 and 2019 by Crystal Valuers Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value.
- Kiambu land valued at KShs 3.8 billion. The property was revalued at 31 December 2020 and 2019 by Crystal Valuers Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value. The property has also been used as collateral on a bank loan with Cooperative Bank.

The table below illustrates the information about significant unobservable inputs used at year end:

Valuation Approach	Significant Observable Inputs	Inter-relationship between Key observable inputs	Significant unobservable Inputs
Valued using the Discounted Cash Flow method. Net income is determined by considering gross income less operating expenditure. capitalization of the rental income using the year purchase method	The valuation is determined on the market weighted average cost of capital.	Increase in the discount and vacancy rate will decrease the fair value of the properties.	Discount rate; 13%
The discount rate is determined with reference to the current market conditions comparable market transactions.	Whereas tenancy, is based on projected occupancy of the property.	Similar Increases/ decreases in tenancy will increase/decrease the market value of property	Annual rent growth rate; 5%

Generally, a change in the assumption made for the estimated rental value is accompanied by:

(i) a directionally similar change in the rent growth per annum and discount rate (and exit yield)

Description of valuation techniques used and key inputs to valuation on investment properties:

Valuation technique	Significant unobservable Inputs	Average
Capitalized rent income (year purchase) method	Net annual rent	182,432,936

Considering the physical economic parameters in the country and the trends in property markets, management is of the opinion that there will not be significant change in the inputs to the valuation method during the year. The valuation takes into account recent prices of similar properties with adjustments made to reflect any changes in economic conditions since the date of the transactions at those prices.

Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss. The fair valuation basis takes into account the existing use and the tendencies and also considers the normal lease structure for similar buildings. Refer to note 56 for additional fair value disclosures.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

16. INTANGIBLE ASSETS

(a) GROUP

2020	Computer Software Total KShs'000	Work in progress*	Goodwill KShs'000	Total KShs'000
COST				
At 1 January	290,548	119,408	98,148	508,104
Additions	43,951	7,095	-	51,046
At 31 December	334,499	126,503	98,148	559,150
ACCUMULATED AMORTISATION				
At 1 January	261,659	-	-	261,659
Charge for the year (note 8)	24,433	-	-	24,433
Foreign exchange differences on translation	2,949	-	-	2,949
At 31 December	289,041	-	-	289,041
CARRYING AMOUNT				
At 31 December	45,458	126,503	98,148	270,109

**work in progress relates to the underwriting and financial reporting software which is currently under implementation.*

2019	Computer Software Total KShs'000	Work in progress*	Goodwill KShs'000	Total KShs'000
COST				
At 1 January	288,750	101,220	98,148	488,118
Additions	1,798	18,188	-	19,986
At 31 December	290,548	119,408	98,148	508,104
ACCUMULATED AMORTISATION				
At 1 January	238,857	-	-	238,857
Charge for the year (note 8)	22,677	-	-	22,677
Foreign exchange differences on translation	125	-	-	125
At 31 December	261,659	-	-	261,659
CARRYING AMOUNT				
At 31 December	28,889	119,408	98,148	246,445

In line with the impairment provisions under IAS 36, management identified two clear cut cash generating units (CGUs); Life Business (Long term) and General Business (short term) for CIC Africa Ltd Malawi. This was consistent with the goodwill impairment assessment for the year ended 31 December 2020. IAS 36 paragraph 33 (b) "in measuring value in use an entity shall base cash flow projections on the most recent financial budgets/forecasts approved by management, which exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance.".

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 and 2019 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports

16. INTANGIBLE ASSETS *(continued)*

(a) GROUP *continued)*

specific to the industry in which each CGU operates. Based on the results of the impairment test carried out, goodwill was assessed not to be impaired.

The sensitivities to the assumptions are not material.

The following table sets out the key assumptions applied in determining the value in use calculations of the CGUs to which goodwill was allocated:

	General	Life
Gross premiums growth:		
-year 1	40%	91%
-year 2	25%	30%
-year 3	20%	30%
-year 4	20%	25%
-year 5	15%	20%
Terminal growth rate	5%	5%
Reinsurance rate	12%	13%
Discount rate	24%	18%
Benefits paid/Claims ratio	58%	33%
Commission and selling costs	11%	22%
Commissions earned	26%	13%
Investment income	10%	10%

Management determined the values assigned to each of the above key assumptions as follows:

Gross premium growth	Average growth premium based on market expectation and in line with industry trend and experience
Long term growth rate	Based on Malawi's projected GDP growth in 2021. The rates are consistent with forecasts included in industry reports.
Reinsurance premiums growth	Based on company's historical experience
Benefits paid	Based on company's historical experience and management expectations
Discount rate	Weighted average cost of capital per CGU
Commission and selling costs	Based on company's historical experience and management expectations
Investment income	Based on Malawi's historical rate of return on investments
Commissions earned	Based on historical experience and management expectations.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

16. INTANGIBLE ASSETS *(continued)*

(b) COMPANY

2020	Computer software KShs'000	Work in progress	Total 2020 KShs'000
COST			
At 1 January	26,599	29,073	55,672
Additions	39,607	1,890	41,497
At 31 December	66,206	30,963	97,169
ACCUMULATED AMORTISATION			
At 1 January	24,534	-	24,534
Charge for the year (note 8)	4,511	-	4,511
At 31 December	29,045	-	29,045
CARRYING AMOUNT			
At 31 December	37,161	30,963	68,124

2019			
COST			
At 1 January	26,036	22,565	48,601
Additions	563	6,508	7,071
At 31 December	26,599	29,073	55,672
ACCUMULATED AMORTISATION			
At 1 January	17,928	-	17,928
Charge for the year (note 8)	6,606	-	6,606
At 31 December	24,534	-	24,534
CARRYING AMOUNT			
At 31 December	2,065	29,073	31,138

17. DEFERRED TAXATION

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2019: 30%).

(a) GROUP

	2020 KShs'000	2020 Movement KShs'000	2019 KShs'000
Tax losses brought forward:	738,388	127,535	610,853
Accelerated capital allowance on motor vehicles and equipment	56,551	2,985	53,566
Provision for doubtful premium receivables	302,231	(87,397)	389,628
Allowance for expected credit losses	29,806	2,090	27,716
Accrued leave provision	8,269	(1,687)	9,956
Gratuity provision	6,804	(5,859)	12,663
Deferred tax on valuation investment property	(189,299)	256	(189,555)
Deferred tax on life fund surplus	(508,616)	(25,802)	(482,814)
Net deferred tax asset	444,134	12,121	432,013

Analysed as follows;

	Net deferred tax asset/(liability) 2020 KShs'000	2019 KShs'000
CIC Asset Management Limited	12,016	10,099
CIC General Insurance Limited	338,758	460,889
CIC Life Assurance Limited	(508,616)	(482,814)
CIC Africa Malawi Limited	25,425	(5,177)
CIC Insurance Group Limited – Company	576,551	449,016
	444,134	432,013
Classified as:		
Deferred tax asset	952,750	920,004
Deferred tax liability	(508,616)	(487,991)

(b) COMPANY

2019	At 1 January KShs'000	Recognized in Profit or loss KShs'000	At 31 December KShs'000
Arising from:			
Unutilised tax losses	477,075	133,778	610,853
Deferred tax on capital gains	(151,837)	(10,000)	(161,837)
Accelerated capital allowance on motor vehicle and equipment	4,772	(4,772)	-
Provision for doubtful receivables	182	(182)	-
Net deferred tax asset	330,192	118,824	449,016
2020			
Arising from:			
Unutilised tax losses	610,853	127,535	738,388
Deferred tax on capital gains	(161,837)	-	(161,837)
Net deferred tax asset	449,016	127,535	576.551

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

18. INVESTMENT IN ASSOCIATE

The investment in Takaful Insurance of Africa Limited represents 22% (2019 – 22%) of the issued ordinary share capital the associate, which is a limited liability company incorporated and domiciled in Kenya. Its principal activities are transaction of general insurance and life insurance business. The company, whose financial year end is 31 December, is not listed on any securities exchange.

The table below summarizes the changes in the investment in associate;

	GROUP		COMPANY	
	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000
At 1 January	126,992	146,717	138,400	138,400
Share of (loss)/ profit after taxation for Taka-ful Insurance of Africa Limited	(7,312)	(19,725)	-	-
At 31 December	119,680	126,992	138,400	138,400

Summarised financial information in respect of the associate is set out below:

	2020 KShs'000	2019 KShs'000
Current assets	1,126,239	1,113,914
Non- current assets	661,408	909,314
Current liabilities	669,234	820,564
Non- current liabilities	976,034	875,749
Equity	142,379	326,915
Cash and cash equivalents	190,294	199,818
Net earned premiums	667,437	677,092
Investment and other income	172,701	202,718
Net claims and policy holder benefit payable	(301,362)	(367,367)
Operating and commissions expense	(569,561)	(602,101)
Profit from continuing operations for the year	(30,785)	(89,658)
Tax (Charge)/Credit	(2,450)	-
Profit for the year	(33,235)	-
Group's share of (loss)/profit	(7,312)	(19,725)
Group's share of associate's contingent liabilities	Nil	Nil

The extent to which outflow of funds will be required on the Group's share of associate's contingent liabilities is dependent on the future operations of the associate being favourable than currently expected. In common practice with the insurance industry in general, the associate is subjected to litigation arising in the normal course of insurance business. There are no significant restrictions on the ability of associate to transfer funds to the entity in the form of cash dividend made by the group.

The are no commitments relating to the associate.

19. INVESTMENT IN SUBSIDIARIES

(a) COMPANY

	2020 KShs'000	2019 KShs'000
CIC Asset Management Limited: 15,550,000 ordinary shares of KShs 20 each at cost	311,000	311,000
CIC General Insurance Limited: 85,000,000 ordinary shares of KShs 20 each at cost	1,700,000	1,700,000
CIC Life Assurance Limited: 40,000,000 ordinary shares of KShs 20 each at cost	800,000	800,000
CIC Africa Insurance (South Sudan) Limited 690,000 ordinary shares of USD 5 each at cost (1 KShs =USD 0.93)	319,962	319,962
CIC Africa Co-operatives Insurance (Malawi) Limited 789,977 ordinary shares of MK 1,000 each at cost (1KShs = MK 7)	268,124	268,124
CIC Africa (Uganda) Limited 720,093 ordinary shares of UShs 10,000 each at cost (1Kshs = UShs 30)	283,792	283,792
	3,682,878	3,682,878

Movement in investment in Subsidiaries	2020 KShs'000	2019 KShs'000
As at January 20	3,682,878	3,600,878
Additions	-	82,000
As at December	3,682,878	3,682,878

(b) COMPANY

	Country of Incorporation	*Principal activity*	*Proportion of ordinary shares held*		*Proportion of Shares held by non-controlling interests*	
			2020	2019	2020	2019
CIC Asset Management Limited	Kenya	Funds and assets management as regulated by the Capital Markets Authority.	100%	100%	-	-
CIC General Insurance Limited	Kenya	Underwriting general insurance business.	100%	100%	-	-
CIC Life Assurance Limited	Kenya	Underwriting life assurance business.	100%	100%	-	-
CIC Africa Insurance (SS) Limited	South Sudan	Underwriting general and life insurance business.	69%	69%	31%	31%
CIC Africa Co-operatives Insurance (Malawi) Limited	Malawi	Underwriting general and life insurance business.	91%	92%	9%	8%
CIC Africa (Uganda) Limited	Uganda	Underwriting general and life insurance business.	93%	95%	7%	5%

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

20. FINANCIAL ASSETS AT AMORTISED COST- CORPORATE BONDS

The credit quality of each corporate bond is assessed and is acceptable within the parameters used to measure and monitor credit risk.

	2020 KShs '000	2019 KShs '000
Real People Kenya Limited	21,614	21,523
East African Breweries Limited	115,883	115,801
Centum Investment Company PLC	-	78,708
Family Bank Limited	20,550	20,534
Platinum Credit Limited	-	26,547
Musoni Microfinance Limited	-	28,222
Allowance for expected credit losses	(744)	(1,102)
	157,303	290,233
The movement in the corporate bonds is as follows:		
At 1 January	290,233	522,067
Additions	-	36,075
Disposals	(148,798)	(274,697)
Amortisation of corporate bond	15,510	6,803
Allowance for expected credit losses (note 8(d)	358	(15)
At 31 December	157,303	290,233
Maturity analysis		
Within 1 year	63,864	121,442
In 1-5 years	93,439	168,791
In over 5 years	-	-
	157,303	290,233

An analysis of changes in the gross carrying amount and corresponding ECL allowances in corporate bonds has been disclosed in note 55(b). There are no corporate bonds held under lien.

21. FINANCIAL ASSETS AT AMORTISED COSTS: GOVERNMENT SECURITIES

GROUP	2020 KShs'000	2019 KShs'000
At 1 January	1,941,363	1,784,398
Additions	704,292	382,466
Discount	(9,206)	(1,823)
Maturities	(660,740)	(223,678)
Accrued Interest	34,667	-
At 31 December	2,010,376	1,941,363
Maturity analysis		
Within 1 year	284,776	183,991
In 1-5 years	448,924	820,507
In over 5 years	1,276,676	936,865
	2,010,376	1,941,363

Government securities at amortised cost relates to treasury bonds held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Kenyan Insurance Act.

22. FINANCIAL ASSETS AT AMORTISED COST: LOANS RECEIVABLES

The loans refer to advances given to staff and have collateral held on them. Upon resignation the credit quality of each loan is assessed and is acceptable within the parameters used to measure and monitor credit risk. Impairment losses have been recognised on doubtful loans receivables and have been recorded in profit or loss.

Mortgage and other staff loans are advanced at an interest rate of 6%. Mortgage loans are repayable within 20 years, while other staff loans which include the car loans and study loans are repayable within 4 years and 5 years respectively.

(a) MORTGAGE LOANS

(i) GROUP

	2020 KShs'000	2019 KShs'000
At 1 January	117,184	218,948
Loans advanced	5,847	2,000
Loan repayments	(22,951)	(102,184)
Allowance expected credit losses (note 8(d))	(280)	(1,580)
At 31 December	99,800	117,184
Maturity profile:		
Within 1 year	741	1,800
In 1-5 years	19,892	26,945
In over 5 years	79,167	88,439
	99,800	117,184

(ii) COMPANY

	2020 KShs'000	2019 KShs'000
At 1 January	8,949	34,280
Loan repayments	-	(25,331)
Accrued interest	1,393	-
At 31 December	10,342	8,949
Maturity profile:		
Within 1 year	-	-
In 1-5 years	10,342	8,949
In over 5 years	-	-
	10,342	8,949

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

22. FINANCIAL ASSETS AT AMORTISED COST: LOANS RECEIVABLES *(continued)*

(b) OTHER LOANS

(i) GROUP

	2020 KShs'000	2019 KShs'000
Staff loans	33,816	50,100
Policy loans	546,349	477,250
	580,165	527,350
Movement:		
At 1 January	527,350	398,556
Loans advanced	258,987	351,067
Loan repayments	(202,390)	(219,053)
Adjustment on adoption of IFRS 9	-	-
Allowance expected credit losses (note 8)	(3,782)	(3,220)
At 31 December	580,165	527,350
Maturity profile:		
Within 1 year	1,935	1,666
In 1-5 years	559,078	495,136
In over 5 years	19,152	30,548
Subtotal (a)	99,800	117,184
Subtotal (b)	580,165	527,350
	679,965	644,534

(ii) COMPANY

	2020 KShs'000	2019 KShs'000
At 1 January	326	894
Loans advanced	794	-
Loan repayments	-	(568)
At 31 December	1,120	326
Maturity profile:		
Within 1 year	-	-
In 1-5 years	1,120	326
At 31 December	1,120	326
Subtotal (a)	10,342	8,949
Subtotal (b)	1,120	326
	11,462	9,275

An analysis of changes in the gross carrying amount and corresponding ECL allowances in loans has been disclosed in note 56(b).

22. FINANCIAL ASSETS AT AMORTISED COST: LOANS RECEIVABLES *(continued)*

(b) OTHER LOANS

The following table shows the maximum exposure to credit risk by of staff loans, the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk:

Group

		Fair value of collateral and credit enhancements held			
31 December 2020 In KShs	Maximum exposure to credit risk	Property	Total collateral	Net exposure	ECLs
Mortgage loans	94,714	86,607	86,607	8,107	950
Other Loans	37,675	117,913	117,913	80,238	1,436
31 December 2019					
Mortgage loans	115,047	180,739	180,739	115,047	1,580
Other Loans	53,272	117,913	117,913	53,272	3,220

Company

		Fair value of collateral and credit enhancements			
31 December 2020 In KShs	Maximum exposure to credit risk	Property	Total collateral	Net exposure	ECLs
Mortgage loans	10,342	10,342	10,342	-	-
31 December 2019					
Mortgage loans	8,949	8,949	8,949	-	-

The property is charged on the Group and it's able to sell the property in case of default.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GOVERNMENT SECURITIES

(a) GROUP	2020 KShs'000	2019 KShs'000
At 1 January	7,275,133	5,841,496
Additions	2,651,211	1,530,422
Disposals	(352,400)	(187,180)
Fair value gain through OCI	18,560	90,395
At 31 December	9,592,504	7,275,133
Maturity analysis		
Within 1 year	-	-
In 1-5 years	-	-
In over 5 years	9,592,504	7,275,133
	9,592,504	7,275,133

An analysis of changes in the gross carrying amount and corresponding ECL allowances debt instruments at fair value through OCI and at amortised cost has been disclosed in note 56(b).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – UNQOUTED EQUITY INSTRUMENTS

GROUP	2020 KShs'000	2019 KShs'000
Unquoted investment:		
Shares held in Co-op Holding Co-operative Society Limited	15,124	20,236
The movement in the investments is as follows:		
At 1 January	20,236	18,212
Fair value (loss) /gain	(5,112)	2,024
At 31 December	15,124	20,236

The shares held in Co-op Holding Co-operative Society Limited were acquired before the initial public offer (IPO) in 2009 and are not listed at the Nairobi Securities Exchange Limited (NSE). These shares are not available to the public market, they can only be sold to other members of the Co-operative entity at a specified agreed value. Thus, the agreed price represents the exit price for these shares. They are to be valued at the higher of 60% of the average of the month's quoted Co-operative Bank of Kenya Limited shares at the Nairobi Securities Exchange Limited or KShs 9.50 per share holders agreement. In the current year the shares have been valued at KShs 7.10 which approximates the fair value. In 2020, the Company received NIL dividends from its FVOCI equities. The company did not dispose of or derecognise any FVOCI equity instruments in 2020.

** The gains or losses are not taxable.*

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-QUOTED EQUITY INSTRUMENTS

	2020 KShs'000	2019 KShs'000
At 1 January	1,439,666	1,329,421
Additions	111,876	305,553
Disposal	(157,114)	(277,728)
Fair value (loss) /gain (note 6)	(227,256)	82,420
At 31 December	1,167,172	1,439,666

At year end, these are valued at the weighted average price at the Nairobi Securities Exchange on the last day of trading in that year.

26. FINANCIAL ASSETS AT AMORTISED COST - DEPOSITS AND COMMERCIAL PAPERS

(a) GROUP

	2020 KShs'000	2019 KShs'000
DEPOSITS		
CIC Sacco Society Limited	23,257	33,753
COMMERCIAL PAPERS:		
Long horn Publishers Limited	9,355	8,334
Crown Paints Kenya Limited	-	113,932
	32,612	156,019
Write back /(Allowance for expected credit losses)	48	(587)
	32,660	155,432
Maturity analysis		
Maturing within three months	-	-
Maturing after 3 months	32,612	156,019
Write back /(Allowance for expected credit losses)	48	(587)
Total deposits and commercial papers	32,660	155,432
Movement:		
At 1 January	155,432	94,017
Additions	-	218,726
Disposals	(121,661)	(159,226)
Allowance for expected credit losses (note 8(d))	635	(201)
Interest on deposits and commercial papers	(1,746)	2,116
At 31 December	32,660	155,432

An analysis of changes in the gross carrying amount and corresponding ECL allowances in deposits and commercial paper has been disclosed in note 56(b). These assets are not held under lien.

(b) INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES THROUGH PROFIT OR LOSS

	2020 KShs'000	2019 KShs'000
At 1 January	1,486,501	1,025,977
Additions	2,387,593	1,529,078
Disposal	(2,130,517)	(1,146,161)
Fair value gain on investments in collective investment schemes (note 6)	86,867	77,607
At 31 December	1,830,444	1,486,501

(c) COMPANY

	2020 KShs'000	2019 KShs'000
INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES THROUGH PROFIT OR LOSS		
At 1 January	13,096	-
Additions	-	12,080
Fair value gain on investments in collective investment schemes	1,796	1,016
At 31 December	14,892	13,096

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

27. DEFERRED ACQUISITION COSTS

	2020 KShs'000	2019 KShs'000
At 1 January	572,515	527,710
New acquisition costs	1,260,326	520,625
Amortization charge	(1,274,270)	(475,820)
At 31 December	558,571	572,515

Deferred acquisition costs relate to insurance contracts as explained in note 3(b).

28. (a) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

Receivables arising out of direct insurance arrangements relate to premiums earned as a result of risks underwritten but whose amounts have not been received as at year end. The carrying amounts approximates the fair values.

	2020 KShs'000	2019 KShs'000
Gross receivables	3,220,998	3,033,490
Provision for impairment	(1,726,891)	(1,450,424)
31 December	1,494,107	1,583,066
Ageing		
1-30 Days	336,388	464,506
31-60 Days	316,891	459,179
61-90 Days	317,484	264,997
91-120 Days	523,344	394,384
Over 120 days	1,726,891	1,450,424
Total	3,220,998	3,033,490
**The movement in provision for doubtful premium is as follows:*		
At 1 January	1,450,424	1,344,067
Increase in provisions (note 8(a))	276,467	106,357
At 31 December	1,726,891	1,450,424

(b) RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Receivables arising out of reinsurance arrangements relates to premiums ceded, commission receivable, claims payment and recoveries which had not been recovered from reinsurers as at the reporting date. The carrying amounts approximates the fair values.

	2020 KShs'000	2019 KShs'000
1 January	2,347,976	1,933,652
Increase in claims paid that have reinsurance recoveries	1,073,879	669,638
Reinsurance recoveries receipts	(488,045)	(255,314)
31 December	2,933,810	2,347,976

28. (a) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS *(continued)*

(c) PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Payables arising out of reinsurance arrangements relate to premiums ceded, which had not been paid to reinsurers as at the reporting date.	2020 KShs'000	2019 KShs'000
1 January	451,699	245,047
Premiums ceded	452,774	206,652
Utilised during the year	(38,206)	-
31 December	866,267	451,699

29. REINSURERS' SHARE OF LIABILITIES AND RESERVES

	2020 KShs'000	2019 KShs'000
Reinsurers' share of:		
• General insurance contract liabilities	1,014,876	894,351
• Life assurance contract liabilities	96,123	179,218
	1,110,999	1,073,569
• Reinsurers share of life insurance contract liabilities (note 45)	527,337	471,303
• Unearned premium and unexpired risks (note 48	533,420	638,232
Total	2,171,756	2,183,104

Amounts due from reinsurers in respect of claims already paid by the Group on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position. Movements in the above reinsurance assets are shown in note 50.

30. OTHER RECEIVABLES

(a) GROUP	2020 KShs'000	2019 KShs'000
Staff advances	14,805	14,325
Other receivables	141,768	97,269
Receivable from custodian	2,131	2,131
Rent receivable	69,841	107,893
Agent Advances	3,746	5,415
Receivable from Mavuno fund manager	-	15,192
Prepayments	84,022	100,583
Allowance for expected credit losses	(3,761)	(2,979)
	312,552	339,829
Movement in ECL Reconciliation		
1 January	2,979	2,896
Adjustments on adoption of IFRS 9	-	-
Increase in Expected Credit Losses (note 8(d))	782	83
At 31 December	3,761	2,979

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

30. OTHER RECEIVABLES *(continued)*

(b) COMPANY

	2020 KShs'000	2019 KShs'000
Other receivables	4,045	3,900
Prepayment	72,543	99,425
	76,588	103,325

An analysis of changes in the gross carrying amount and corresponding ECL allowances in other receivables has been disclosed in note 56(b).

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

31. RELATED PARTIES

The ultimate parent company is Co-operative Insurance Society Limited. The Group has various related parties, most of whom are related by virtue of being the investor, and partly due to common directorships. The provisions for expected credit losses made on related party balances during the year was Kshs. 7,994,000 (2019: Kshs 371,000). The amounts due from related parties are non- interest bearing and the balances are not secured.

CIC Insurance Group being the majority shareholder in the various related parties; is committed to providing the necessary financial support to the related companies with capitalisation deficit to ensure they meet their financial obligations.

GROUP	2020 KShs'000	2019 KShs'000
Due from related companies:		
Co-operative Insurance Society Limited	65,039	59,269
CIC Foundation	14,056	14,056
CIC Trans coop Ltd	613	-
CIC Unit Trusts	75,979	53,339
Allowance for expected credit losses	(7,994)	(371)
	147,693	126,293
Movement in ECL Reconciliation		
1 January	371	265
Increase in expected credit losses (note 8(d))	7,623	106
At 31 December	7,994	371

(a) Transaction with related parties during the year

The following transactions were carried out with related parties during the year:	2019 KShs'000	2018 KShs'000
Payments* to related party		
Co-operative Insurance Society Limited	5,770	15,526
CIC Foundation	-	5,151
CIC Africa Co-operatives Insurance Limited Malawi	6,286	8,140
CIC Unit Trust Scheme	9,970	13,466

** In helping to reduce the administration burden there will be situations where one entity will pay expenses or receive premiums on behalf of its sister entities or subsidiaries. Therefore, these transactions relate to the receipts to and payments from related parties to reimburse the entity paying on behalf of the others or allocating the premiums received by the entity on behalf of the others.*

31. RELATED PARTIES *(continued)*

(b) Key management and director's remuneration

The remuneration of directors and other members of key management during the year were as follows:

	2020 KShs'000	2019 KShs'000
Short-term employment benefits:		
Directors		
- Salaries	29,808	154,582
- Directors 'emoluments – Fees	56,341	56,290
- Others (travel and accommodation)	1,723	7,159
	87,872	218,031
Key management staff*:		
Salaries	244,574	200,844
Leave allowance	3,452	3,758
Car allowance	100	10,795
National Social Security Fund (NSSF)	46	57
Gratuity	12,888	39,956
Contribution to defined contribution scheme	49,808	14,555
	379,686	349,940

**Included in Kenya management staff is salary and allowances of KShs 30 million (2019: KShs 155 million) paid to Group Chief Executive Officer, who is also a director.*

COMPANY	2019 KShs'000	2018 KShs'000
Due from related parties:		
Co-operative Insurance Society Limited	65,039	59,269
CIC Asset Management Limited	-	1,920
Trans coop Insurance Ltd	613	-
CIC Africa (Uganda) Limited	83,045	66,009
CIC Africa Co-operatives Insurance (Malawi) Limited	14,426	8,140
CIC Africa Insurance (SS) Limited	29,043	12,501
CIC Foundation	14,056	14,058
	206,222	161,897
Due to related parties:		
CIC Life Assurance Limited	242,155	202,881
CIC General Insurance Limited	151,959	81,124
CIC Asset Management Limited	16,928	-
Expected credit losses	3,618	2,878
	414,660	286,883

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
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31. RELATED PARTIES *(continued)*

(c) RELATED PARTY LOAN

	2020 KShs'000	2019 KShs'000
Related party Loan		
CIC Africa Group Limited-Uganda	489,657	433,180
CIC Sacco Society Limited	12,000	21,524
	501,657	454,704

CIC Insurance Group PLC advanced a loan of KShs 310,000 to CIC Africa (Uganda) Limited at a rate of 13% compounded interest between the years 2015 and 2020. The outstanding loan as at 31st December 2020 stood at Kshs 490 million (both interest and principal). The loan is unsecured.

Related party Loan

	2020 KShs'000	2019 KShs'000
CIC General Insurance Limited	787,740	700,000
CIC Asset Management Limited	173,962	200,000
CIC Africa (SS) Limited	221,613	-
Total	1,183,315	900,000

The Holding company was advanced Kshs. 700 million, Kshs 200 million and KShs 200 million by CIC General Insurance Limited and CIC South Sudan and CIC Asset management respectively at an interest rate of 12.5% repayable in 1 year for CIC General and CIC South Sudan and 2 years for CIC asset management Limited.

The loan from CIC General Insurance Limited has a collateral of share pledges on CIC Africa Insurance (SS) Limited, CIC Africa Uganda & CIC Africa cooperatives Malawi. The loan from CIC Asset management Limited and CIC Africa Insurance (SS) are unsecured.

The Holding Company repaid Kshs 50 million to CIC Asset management Limited. The outstanding balance due to CIC Asset in the year ended 31st December 2020 stood at Kshs 173 million.

The company has various related parties, most of whom are related by common shareholding.

(i) Transaction with related parties during the year

	2020 KShs'000	2019 KShs'000
Receipts from related parties		
CIC Asset Management Limited	65,061	22,907
CIC General Insurance Limited	2,327,530	176,672
Payments to related parties		
CIC Africa (Uganda) Limited	17,036	66,009
CIC Africa Co-operatives Insurance Limited	6,286	8,140
CIC Africa Insurance (SS) Limited	16,426	12,501
CIC Foundation	-	14,056
Co-operative Insurance Society Limited	5,770	59,269

(d) Loans to directors of the group and the company

The Group and its subsidiaries did not advance loans to the directors in the year ended 31 December 2020 and 31 December 2019.

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 56(b).

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

32. DEPOSITS WITH FINANCIAL INSTITUTIONS

(a) GROUP

	2020 KShs'000	2019 KShs'000
The Co-operative Bank of Kenya Limited	713,235	1,306,164
EFC Uganda Limited	4,975	4,204
Pride Microfinance Limited	6,986	28,554
Gulf African Bank Limited	-	172,976
KCB Bank Kenya Limited*	1,404,677	1,048,237
Equatorial Commercial Bank	14,542	-
Nico Asset Managers Limited	134,454	117,649
Equity Bank of Kenya Limited	369,301	166,305
I and M Bank Limited	105,504	155,680
Middle East Bank of Kenya Limited	97,703	45,279
Family Bank Limited	306,266	205,780
Imperial Bank of Kenya Limited	23,366	23,443
Credit Bank Limited	186,333	135,188
FTB Bank Limited	95,423	119,659
Victoria Commercial Bank Limited	8,489	8,128
Tropical Bank Limited	9,587	4,839
Opportunity Bank Uganda Limited	7,817	17,593
Ugafode Microfinance Limited	6,212	4,387
Foundation for international assistance (Finca) Bank	39,558	15,263
Old mutual Limited (Malawi)	29,106	39,686
My bucks banking Corporation	123,510	57,794
NCBA Bank Kenya PLC	428,354	153,449
United Bank of Africa Limited	157,596	145,907
Kingdom Bank Ltd	329,096	-
Absa Bank Uganda Ltd	308	-
Postbank	36,154	-
Sidian Bank	214,698	-
Development Bank of Kenya Limited	362,166	-
Bridge Path Capital	13,304	-
NBS Bank Ltd Malawi	21,263	-
First Discount House Bank Limited	31,776	-
	5,281,759	3,976,164
Expected credit losses allowance	(41,068)	(30,509)
Net deposits	5,240,691	3,945,655
Maturity analysis:		
Maturing within three months	1,711,899	1,118,428
Maturing after 3 months	3,569,860	2,857,736
	5,281,759	3,976,164

(i) Movement in Deposits maturing after 3 Months

	2020 KShs'000	2019 KShs'000
As at January	2,857,736	1,441,404
Increase	712,124	1,416,332
As at December	3,569,860	2,857,736

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

32. DEPOSITS WITH FINANCIAL INSTITUTIONS *(continued)*

(ii) Movement in ECL Reconciliation

(a) GROUP

	2020 KShs'000	2019 KShs'000
1 January	30,509	54,204
Decrease in Expected Credit Losses (note 8(d))	10,559	(23,695)
At 31 December	41,068	30,509

(b) COMPANY

	2020 KShs'000	2019 KShs'000
KCB Bank Kenya Limited*	74,578	71,650
Expected credit losses allowance	(37)	-
Net Deposits	74,541	71,650
Maturity analysis:		
Maturing within 3 months	-	-
Maturing after 3 months	74,541	71,650
	74,541	71,650

** Except for deposits with KCB Bank Limited, which are under lien, all the other deposits are available for use by the Group.*

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 56(b).

33. SHARE CAPITAL

	2020		2019	
	Number of shares KShs'000	Share capital KShs'000	Number of shares KShs'000	Share capital KShs'000
Authorised ordinary shares of KShs 1 each (2020: KShs 1 each):				
At 1 January and at 31 December	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid up share capital:				
At 1 January and at 31 December	2,615,578	2,615,578	2,615,578	2,615,578

34. SHARE PREMIUM

	2020 KShs'000	2019 KShs'000
At 1 January and at 31 December	162,179	162,179

Share premium arose out of private placement at a cost of KShs.22.50 which was KShs. 2.50 above the nominal value of 20/- in 2011 resulting in a share premium of KShs 598 million. Subsequently, the share premium was capitalized through issuance of bonus amounting to 435,923,000 shares of KShs 1 each.

35. STATUTORY RESERVE

The statutory reserve represents the surplus on the life assurance business which is not distributable as dividends as per the requirements of the Kenyan Insurance Act, 2015.

Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated surplus of the long-term business.

36. CONTINGENCY RESERVE

The contingency reserve represents at 2% of the gross premium for non-life insurance business and 1% for life business that is set aside as required by the Insurance Act in Uganda.

37. REVALUATION SURPLUS

The revaluation surplus represents the surpluses on the revaluation of buildings and is not distributable as dividends.

38. FOREIGN CURRENCY TRANSLATION RESERVE

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the statement of profit or loss.

39. FAIR VALUE RESERVE

The fair value reserve represents fair value gains / (losses) arising from financial assets at fair value through other comprehensive income and is not distributable as dividends.

40. RETAINED EARNINGS

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Group.

Retained earnings include fair value gains on revaluation of investment properties which are unrealised and whose distribution is subject to restrictions imposed by the Kenya Insurance Act.

41. NON-CONTROLLING INTEREST

	2020 KShs'000	2019 KShs'000
At 1 January	6,386	(13,944)
Profit for the year	(63,918)	12,261
Other comprehensive income for the year	26,278	8,069
Total comprehensive income for the year	(37,640)	20,330
Additional Investment by minority interest	-	-
Acquired through business combination	-	-
At 31 December	(31,254)	6,386

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

41. NON-CONTROLLING INTEREST *(continued)*

Financial information of CIC Africa Insurance (South Sudan) Limited that has material Non-Controlling Interest (NCI) in Co-operative Bank of Sudan Limited and CIC Africa Insurance Co-operative Limited (Malawi) in MUSSCO and Farmers Union of Malawi is provided below;

	South Sudan		Malawi		Uganda	
	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000
Proportion of ownership held by NCI	31%	31%	9%	8%	7%	5%
Proportion of voting rights held by NCI	31%	31%	9%	8%	7%	5%
NCI share of Accumulated retained earnings/loss (KShs '000)	15,808	843	(7,942)	(12,382)	(1,480)	(2,405)
NCI share of profit/(loss) accumulated to NCI (KShs '000)	(46,211)	14,965	4,141	4,440	4,430	925
Dividends paid to NCI in the year (KShs '000)	-	-	-	-	-	-

Summarised financial information of the subsidiaries is provided below:

	South Sudan		Malawi		Uganda	
	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000
Total revenue	741,071	753,865	431,818	232,223	610,782	485,673
Profit for the year	(231,983)	22,247	43,345	11,561	57,332	89,613
Other comprehensive income	82,915	(303,193)	4,285	(1,753)	2,550	(70,152)
Total comprehensive income	(149,068)	(280,947)	47,630	9,808	59,882	19,461
Total non-current assets	399,496	375,443	37,758	11,379	297,638	17,295
Total current assets	994,440	879,565	744,446	370,396	1,313,692	1,107,219
Total non-current liabilities	-	-	-	-	489,657	433,180
Total current liabilities	1,023,878	669,828	596,400	246,432	1,218,597	859,590
Cash flows from operating activities	9,905	19,052	148,654	65,950	73,586	192,237
Cash flows from financing activities	(2,277)	235	(1,564)	84,384	101,261	13,799
Cash flows from investing activities	(41,593)	26,362	27,710	(25,142)	(205,251)	(213,005)

42. BORROWINGS

	2020 KShs'000	2019 KShs'000
1 January	3,748,531	5,129,914
Bond interest expense incurred and paid in the year	-	500,000
Bond accrued interest for the year	-	(150,000)
Bond interest repayment during the year	-	(500,000)
Corporate bond repayment	-	(5,000,000)
Amortisation of bond expenses	-	20,086
Bank Borrowing	-	4,500,000
Repayment of bank borrowing	(200,000)	(900,000)
Interest accrued on bank borrowing	407,069	141,781
Accrued loan expenses	-	6,750
31 December	3,955,600	3,748,531

42. BORROWINGS *(continued)*

The borrowings is composed of a bank loan of Kshs 3.4 billion (2019 Kshs 3.6 billion) from Co-operative bank at a fixed interest rate of 12.5% with a tenure of 5 years. The loan was structured as single draw-down with a bullet repayment of principal sum at end of the tenure. Interest repayment is on tri – annual basis. The loan is secured by land; LR No 28800/951 as well as corporate guarantee of KShs 200 million, and fixed deposit held under lien of KShs 200 million both from CIC General Insurance Limited - a subsidiary, as at 31/12/2020.

43. OTHER PAYABLES

	2020 KShs'000	2019 KShs'000
(a) GROUP		
Sundry payables	882,887	884,438
Payroll creditors	13,544	14,566
Premiums received in advance	363,652	231,957
Staff annual leave pay provision	36,937	45,082
Rent deposits	30,345	32,518
	1,327,365	1,208,561
(b) COMPANY		
Sundry payables	22,103	60,807
Withholding tax payable	742	-
	22,845	60,807

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

44. DIVIDENDS

	2020 KShs'000	2019 KShs'000
As at January	11,054	-
Declared during the year	-	340,025
Dividends Paid	-	(328,971)
As 31 December	11,054	11,054
Proposed for approval at the annual general meeting (not recognised as a liability.)	-	-

Dividend on ordinary shares

a) Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

b) Payment of dividend is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders respectively.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

45. DEPOSIT ADMINISTRATION CONTRACTS

The group administers the funds of several retirement benefit schemes. The liability of the group to the schemes is measured at amortised cost and is included in the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the asset and liability in the statement of financial position and are not recognised as gross premium and investments income in the statement of profit or loss and other comprehensive income of the group. Assets under the deposit administration contracts are registered in the name of the administrator and have therefore been accounted as financial instruments in the statement of financial position.

Analysis of movement in deposit administration contract liabilities:	2020 KShs'000	2019 KShs'000
Pension contributions	1,186,469	1,254,617
Investment income	353,864	417,614
Total additions in the year	1,540,333	1,672,231
Policy benefits (net)	(508,959)	(374,691)
Administrative expenses	(67,212)	(51,260)
Total outflow	(576,171)	(425,951)
Net movement for the year	964,162	1,246,280
Balance at beginning of the year	4,370,396	3,124,116
Balance at end of year	5,334,558	4,370,396

46. LIFE INSURANCE CONTRACT LIABILITIES

The actuarial valuation of the life fund was carried out by The Actuarial Services Company Limited, Actuaries and Consultants, as at 31 December 2020 and revealed actuarial liabilities of KShs 7,333,365K (2019: KShs 6,362,664K). There was no transfer in the current year. (2019: Nil) has been made to retained earnings based on the recommendation of the actuary.

	Ordinary Life KShs'000	Group Life KShs'000	Net KShs'000	Reinsurance KShs'000	Total Gross KShs'000
As at 1 January 2020	3,524,257	2,367,104	5,891,361	471,303	6,362,664
Actuarial adjustments	594,974	319,693	914,667	56,034	970,701
As at 31 December 2020	4,119,231	2,686,797	6,806,028	527,337	7,333,365
As at 1 January 2019	2,860,983	1,949,747	4,810,730	533,805	5,344,535
Actuarial adjustments	663,274	417,357	1,080,631	(62,502)	1,018,129
As at 31 December 2019	3,524,257	2,367,104	5,891,361	471,303	6,362,664

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

47. UNIT LINKED CONTRACTS

Unit linked contracts are designated financial liabilities at fair value through profit or loss. The benefits offered under these contracts are based on the return of a portfolio of equities and debt instruments. The maturity value of the financial liabilities is determined by the fair value of the linked assets. There will be no difference between the carrying amount and the maturity amount at maturity date.

	2020 KShs'000	2019 KShs'000
At 1 January	514,972	474,554
Contributions received	19,210	17,790
Surrenders	(1,648)	(506)
Maturities	(17,233)	(14,686)
Far value gain/(loss)	8,362	37,820
Net fund value	523,663	514,972

48. PROVISIONS FOR UNEARNED PREMIUM AND UNEXPIRED RISKS

The unearned premiums reserve represents the portion of the premium written in years up to the reporting date which relates to the unexpired terms of policies in force as at the end of each reporting period for general insurance. The movement in the reserve is shown below:

	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
2020			
At 1 January	4,591,548	(638,232)	3,953,316
Gross written premiums	16,988,281	(1,859,588)	15,128,693
Gross earned premiums	(17,244,119)	1,964,400	(15,279,719)
Increase/(decrease) in the year (net)	(255,838)	104,812	(151,026)
At 31 December	4,335,710	(533,420)	3,802,290
2019			
At 1 January	4,192,320	(506,971)	3,685,349
Gross written premiums	17,695,928	(1,466,472)	16,229,456
Gross earned premiums	(17,296,700)	1,335,211	(15,961,489)
Increase/(decrease) in the year (net)	399,228	(131,261)	267,967
At 31 December	4,591,548	(638,232)	3,953,316

49. NON -LIFE INSURANCE CONTRACTS LIABILITIES

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation for general insurance. The expected recoveries at the end of 2019 and 2020 are not material.

The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the Incurred But Not Reported (IBNR) provision. Chain-ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development considering when the earliest material claim arose, factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claim cost for each accident year.

2020

Accident Year	2016 and prior KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	Total KShs'000
Estimated ultimate claims cost						
at end of accident year	5,855,649	4,568,583	4,647,470	4,551,459	6,023,168	25,646,329
one year later	6,628,190	6,195,376	6,004,478	5,715,527	-	24,543,571
two years later	6,915,435	6,560,827	6,338,735	-	-	19,814,997
three years later	7,148,030	6,810,066	-	-	-	13,958,096
four years later	7,943,159	-	-	-	-	7,943,159
Current estimate of cumulative claims	7,943,159	6,810,066	6,338,735	5,715,527	6,023,168	32,830,655
Less: cumulative payments to date	(7,025,711)	(6,321,163)	(5,865,015)	(5,275,839)	(3,964,879)	(28,452,607)
Gross outstanding claims notified provision	917,448	488,903	473,720	439,688	2,058,289	4,378,048
Liability incurred but not reported claims	-	-	-	-	-	2,309,876
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	6,687,924

CIC GROUP

49. NON -LIFE INSURANCE CONTRACTS LIABILITIES *(continued)*

2019

Accident Year	2015 and prior KShs'000'	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	Total KShs'000
Estimated ultimate claims cost						
at end of accident year	4,538,520	5,855,649	4,568,583	4,647,470	5,463,608	25,073,830
one year later	5,969,581	6,628,190	6,195,376	6,004,479	-	24,797,626
two years later	6,563,367	6,915,435	6,560,827	-	-	20,039,629
three years later	6,780,597	7,148,030	-	-	-	13,928,627
four years later	7,379,882	-	-	-	-	7,379,882
Current estimate of cumulative claims	7,379,882	7,148,030	6,560,827	6,004,479	5,463,608	32,556,826
Less: cumulative payments to date	(6,558,778)	(6,782,286)	(6,014,925)	(5,470,277)	(3,860,097)	(28,686,363)
	821,104	365,744	545,902	534,202	1,603,511	3,870,463
Liability incurred but not reported claims (note 50)	-	-	-	-	-	1,650,118
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	5,520,581

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

49. NON -LIFE INSURANCE CONTRACTS LIABILITIES *(continued)*

Net claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2020 and 2019 are not material.

2020

Accident Year	2016 and prior KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	Total KShs'000
Estimated ultimate claims cost						
at end of accident year	4,327,873	3,463,691	3,714,976	3,834,663	5,248,015	20,589,218
One year later	4,898,853	4,697,051	-	-	-	19,184,246
Two years later	5,111,155	4,974,119	4,799,707	4,788,635	-	15,110,046
Three years later	5,283,064	5,104,203	5,024,772	-	-	10,387,267
Four years later	5,670,087	-	-	-	-	5,670,087
Current estimate of cumulative claims	5,670,087	5,104,203	5,024,772	4,788,635	5,248,015	25,835,712
Less: cumulative payments to date	(5,192,659)	(4,792,417)	(4,688,226)	(4,444,963)	(3,450,398)	(22,568,663)
	477,428	311,786	336,546	343,672	1,797,617	3,267,049
Liability incurred but not reported claims (note 50)	-	-	-	-	-	2,309,876.
Total net claims liabilities included in statement of financial position	-	-	-	-	-	5,576,925

49. NON -LIFE INSURANCE CONTRACTS LIABILITIES *(continued)*

2019

Accident Year	2015 and prior KShs'000'	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	Total KShs'000
Estimated ultimate claims cost						
at end of accident year	4,935,106	3,513,102	4,775,628	4,574,920	4,707,751	22,506,507
One year later	350,210	299,584	338,750	221,299	-	1,209,843
Two years later	87,936	62,187	27,613	-	-	177,736
Three years later	36,124	23,344	-	-	-	59,468
Four years later	5,961	-	-	-	-	5,961
Current estimate of cumulative claims	5,415,337	3,898,217	5,141,991	4,796,219	4,707,751	23,959,515
Less: cumulative payments to date	(4,891,635)	(3,664,278)	(4,795,164)	(4,458,035)	(3,353,509)	(21,162,621)
	523,702	233,939	346,827	338,184	1,354,242	2,796,894
Liability incurred but not reported claims (note 49)	-	-	-	-	-	1,650,118
Total net claims liabilities included in statement of financial position	-	-	-	-	-	4,447,012

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

49. INSURANCE CONTRACTS LIABILITIES *(continued)*

GROUP

	2020 KShs '000	2019 KShs '000
Claims reported and claims handling expenses:		
At 1 January		
- General insurance	4,028,285	3,825,974
- Life assurance	418,727	370,411
	4,447,012	4,196,385
Claims incurred in the year (note 50)	9,419,505	8,009,589
Payments for claims and claims handling expenses (note 50)	(8,289,592)	(7,758,962)
At 31 December	5,576,925	4,447,012
Comprising:		
- General insurance	4,877,622	4,028,285
- Life assurance	699,303	418,727
At 31 December	5,576,925	4,447,012
Comprising:		
At 31 December:		
Gross amounts	6,687,924	5,520,581
Reinsurers share (note 29)	(1,110,999)	(1,073,569)
	5,576,925	4,447,012

Movement in non-life insurance contract liabilities is shown in note 49.

50. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

2020	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Notified claims	3,870,463	(1,073,569)	2,796,894
Incurred but not reported	1,650,118	-	1,650,118
At 1 January 2020	5,520,581	(1,073,569)	4,447,012
Payments for claims and claims handling expenses in the year	(10,556,920)	2,267,328	(8,289,592)
Claims incurred in the year	11,724,263	(2,304,758)	9,419,505
At 31 December	6,687,924	(1,110,999)	5,576,925
Notified claims	4,378,048	(1,110,999)	3,267,049
Incurred but not reported	2,309,876	-	2,309,876
At 31 December 2020	6,687,924	(1,110,999)	5,576,925

50. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS *(continued)*

2019	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Notified claims	4,025,782	(1,145,103)	2,880,679
Incurred but not reported	1,315,706	-	1,315,706
At 1 January 2019	5,341,488	(1,145,103)	4,196,385
Payments for claims and claims handling expenses in the year	(9,022,308)	1,263,346	(7,758,962)
Claims incurred in the year	9,201,401	(1,191,812)	8,009,589
At 31 December	5,520,581	(1,073,569)	4,447,012
Notified claims	3,870,463	(1,073,569)	2,796,894
Incurred but not reported	1,650,118	-	1,650,118
At 31 December 2019	5,520,581	(1,073,569)	4,447,012

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

51. NOTES TO THE STATEMENT OF CASH FLOWS

(a) GROUP

Reconciliation of profit before taxation to cash generated from operations:

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2020 KShs'000	2019 KShs'000
(Loss)/profit before taxation	8(c)	(79,544)	385,589
ECL* on corporate bond	8(d)	(358)	(15)
ECL on other receivables	8(d)	(782)	83
ECL on related party balances	8(d)	(7,623)	(106)
ECL on deposits with financial Institutions	8(d)	10,559	(23,695)
ECL on staff loans	8(d)	280	(1,580)
ECL on for other loans	8(d)	3,782	(3,220)
ECL on commercial paper	8(d)	(635)	(201)
Interest income	5	(1,243,649)	(1,225,815)
Dividend income	5	(34,814)	(47,148)
Discount on government securities at amortised cost	21	9,206	1,823
Provision for doubtful premium receivables	8	276,467	106,357
Interest expense	42	407,069	641,781
Depreciation on property and equipment	13 (a)	152,457	187,601
Interest on leases	14(a)	34,426	28,334
Fair value gains on revaluation on investment property	15	(6,330)	(207,850)
Amortisation of intangible assets	16(a)	24,433	22,677
Share of loss/(profits) of associate	18	7,312	19,725
Amortisation of corporate bond	20	(15,510)	(6,803)
Fair value loss /(gains) on equity investment at fair value through profit or loss	25	227,256	(82,420)
Fair value gain on collective investment schemes	26(b)	(86,867)	(77,607)
Amortisation of loan and bond expenses	42	-	26,836
Amortisation of lease expenses	14(a)	97,927	82,792
Working capital changes;			
Increase in receivables arising out of direct insurance arrangements		(187,508)	(61,997)
(Increase)/decrease in provision for unearned premium		(255,838)	399,228
Increase in non-life insurance contracts liabilities		1,167,343	179,093
Increase in receivables arising out of reinsurance arrangements		(585,834)	(414,324)
Decrease in reinsurance share of liabilities and reserves		11,348	2,775
Decrease /(increase) in other receivables		28,059	(111,220)
Increase in other payables		118,804	193,814
Increase in life insurance contract liabilities		970,701	1,018,129
Increase in payables arising from reinsurance arrangements		414,568	206,652
Increase in deposits administration contracts		964,162	1,246,280
Increase in unit linked contracts		8,691	40,418
Decrease/ (increase) deferred acquisition costs		13,944	(44,805)
Movement in related parties in related party balances		(13,777)	(23,189)
Cash generated from operations		2,429,725	2,457,992

**ECL -Expected Credit Losses*

51. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

(b) Company

Reconciliation of profit before taxation to cash generated from operations:

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2020 KShs'000	2019 KShs'000
Loss before taxation		(538,657)	(132,263)
Adjustments for:			
Expected credit losses on other receivables		-	-
Expected credit losses on deposits with financial institutions		10	(250)
Expected credit losses on related parties		(741)	(1,081)
Interest income	5	(60,925)	(146,644)
Interest expense	10	407,069	641,781
Depreciation on property and equipment	13(b)	22,442	20,415
Interest expense on leases	14	2,592	4,964
Fair value gains on revaluation on investment property	15 (b)	-	(200,000)
Interest receivable on mortgage and other loans		(2,187)	-
Fair value gain on Collective investment schemes	26 (c)	(1,796)	(1,016)
Amortisation of intangible assets	16(b)	4,511	6,606
Amortisation of bond and loan expenses	42	-	26,836
Amortisation of leases expense	14	19,588	21,753
Dividend income	5	(50,000)	(323,000)
Working capital changes;			
Increase in other receivables		26,737	(94,320)
Decrease in related party balances		320,555	899,099
Increase/(decrease) in other payables		(37,962)	29,066
Cash generated from operations		111,236	751,946

(c) Net debt reconciliation

Group

	Notes	2020 KShs'000	2019 KShs'000
Cash and cash equivalents	52	2,069,302	1,931,611
Gross debt - Lease liability	14 (a)	(205,940)	(193,194)
Gross debt - Borrowings	42	(3,955,600)	(3,748,532)
Net debt		6,230,842	5,873,337
Company			
Cash and cash equivalents	52	30,715	75,138
Gross debt - Lease liability	14 (a)	(11,061)	(29,954)
Gross debt - Borrowings	42	(3,955,600)	(3,748,532)
Net debt		(3,935,946)	(3,703,348)

The movements in net debt for each of the periods presented have been included in notes 14 (a) and 42.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

52. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of:

	Notes	2020 KShs'000	2019 KShs'000
GROUP			
Bank and cash balances		357,403	813,183
Deposits with banks – original maturity; maturing within 3 months	32	1,711,899	1,118,428
		2,069,302	1,931,611
COMPANY			
Bank and cash balances		(43,826)	3,488
Deposits with banks – original maturity; maturing within 3 months	32	74,541	71,650
		30,715	75,138

There are no assets held under lien.

53. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The table below summarises the weighted average effective interest rates realised during the year on the principal interest-bearing investments:

	Interest	2020 %	2019 %
Government securities	Fixed	12.30	12.80
Corporate bonds	Fixed	11.0	12.85
Mortgage loans	Fixed	6.00	6.00
Staff loans	Fixed	6.00	6.00
Policy loans	Fixed	8.00	8.00
Deposits with financial institutions	Fixed	9.0	10.00
Deposits and commercial papers	Variable	12.00	12..75
Cash and cash equivalents	Fixed	6.75	6.50

54. CONTIGENCIES AND COMMITMENTS

(a) Legal proceedings and regulations

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 results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

The group is also subject to insurance solvency regulations and has complied with all the solvency regulations. There are no contingencies associated with the Group and the company's compliance or lack of compliance with such regulations.

54. CONTIGENCIES AND COMMITMENTS *(continued)*

(b) Commitments, operating leases and bank guarantees

Commitments

Capital expenditure committed at the end of the reporting period but not recognised in the financial statements is as follows:

	2020 KShs'000	2019 KShs'000
Committed but not contracted for	509,154	132,886

Operating leases

The group has entered into commercial property leases on its investment property portfolio, consisting of the group's surplus office buildings. These non–cancellable leases have remaining terms of between two and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions

Future minimum lease rentals receivable under non–cancellable operating leases as at 31 December are as follows:

	2020 KShs'000	2019 KShs'000
Within one year	99,455	111,676
After one year but not more than two years	174,671	142,082
After two year but not more than five years	122,689	132,183
Total operating lease rentals receivable	396,815	385,941

The group has entered into commercial leases on certain property and equipment. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the group by entering into the leases.

Bank Guarantees	2020 KShs'000	2019 KShs'000
Bank guarantees	274,316	286,443

In common practice with the insurance industry in general, the company tenders for business. Such tenders require that a guarantee or performance bond is placed with a bank.

55. RISK MANAGEMENT FRAMEWORK *(continued)*

(a). 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. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a group policy framework which sets out the risk profiles for the group, risk management, control and business conduct standards for the group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the group.

The board of directors approves the group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the group's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b). Capital management objectives, policies and approach

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

- To maintain the required level of stability of the group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- To maintain 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. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy at 100%) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Group has met all of these requirements throughout the financial year. All the subsidiaries met the capital adequacy provisions.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Kenyan Insurance Regulatory Authority (IRA). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The group's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the IRA directives, including any additional amounts required by the regulator.

55. RISK MANAGEMENT FRAMEWORK *(continued)*

(b). Capital management objectives, policies and approach *(continued)*

Approach to capital management

The group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the group in the light of changes in economic conditions and risk characteristics. An important aspect of the group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the group is focused on the creation of value for shareholders.

The primary source of capital used by the group is total equity and borrowings. The group also utilises, where it is efficient to do so, sources of capital such as reinsurance and securitisation, in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The group has made no significant changes, from previous years, to its policies and processes for its capital structure.

	2020 KShs'000	2019 KShs'000
Share capital	2,615,578	2,615,578
Share premium	162,179	162,179
Statutory reserve	1,183,825	1,123,620
Contingency reserve	61,924	34,016
Revaluation surplus	192,799	183,605
Translation reserve	(275,356)	(298,804)
Fair value reserve	(65,452)	(78,900)
Retained earnings	3,784,226	4,105,253
Equity attributable the owners of the parent	7,659,723	7,846,547
Non-controlling interest	(31,254)	6,386
Total equity	7,628,469	7,852,933

55. RISK MANAGEMENT FRAMEWORK *(continued)*

(b). Capital management objectives, policies and approach *(continued)*

The Group had external borrowings at 31 December 2020 of KShs 3.4 billion (2019 – 3.6 billion).

Gearing Ratio Group	2020 KShs'000	2019 KShs'000
Total debt	3,955,600	3,748,531
Total equity	7,628,469	7,852,933
Net debt to equity ratio	52%	48%
Company		
Total debt	3,955,600	3,748,531
Total equity	3,572,800	3,983,922
Net debt to equity ratio	111%	94%

(c). Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the group are 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 minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

(d). Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the group faces, due to the nature of its investments and liabilities, is interest rate risk. The group manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

56. INSURANCE AND FINANCIAL RISK

56.1 Insurance risk

The Group's ALM is

- Integrated with the management of the financial risks associated with the group's other financial assets and liabilities not directly associated with insurance and investment liabilities
- As an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

The principal risk the group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by frequency of the claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines as well as the use of reinsurance arrangements.

The group purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and a non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the group to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

1. Life insurance contracts

Life insurance contracts offered by the group include: whole life and term assurance. Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value. . This includes group life and ordinary life premiums.

Pensions are contracts where retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. This includes the deposit administration contracts.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period, usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.1 Insurance risk *(continued)*

1. *Life insurance contracts (continued)*

performance of the assets backing the liability. However, in circumstances where there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder.

The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry

The group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the group to pursue third parties for payment of some or all costs. 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 group.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Groupwide reinsurance limits of Kshs. 3,000,000 on any single life insured insured are in place.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party. For contracts without DPF, the Group charges for death and disability risks on a yearly basis. Under these contracts the group has the right to alter these charges to take account of death and disability experience, thereby mitigating the risks to the group

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behavior.

The following tables show the concentration of life insurance contract liabilities and investment contract liabilities with DPF by type of contract.

56. INSURANCE AND FINANCIAL RISK *(continued)*

56.1 Insurance risk *(continued)*

1. Life insurance contracts (continued)

31 December 2020

	Gross				Reinsurance*	
	Insurance contract liabilities With DPF Kshs'000	Investment contract liabilities Kshs'000	Insurance contract liabilities without DPF Kshs'000	Total Insurance and investment contract liabilities KShs'000	Insurance liabilities without DPF Kshs'000	Net liabilities Kshs'000
Group life	-	-	274,753	274,753	66,908	207,845
Group credit	-	-	2,953,549	2,953,549	522,940	2,430,609
Endowment	2,187,987	-	-	2,187,987	-	2,187,987
Term assurance	-	-	47	47	-	47
Annuities	-	-	1,917,029	1,917,029	-	1,917,029
Total insurance liabilities	2,187,987	-	5,145,378	7,333,365	589,848	6,743,517
Unit linked	-	523,663	-	523,663	-	523,663
Total	2,187,987	523,663	5,145,378	7,857,028	589,848	7,267,180

**The Insurance contract liabilities with DPF features are not reinsured.*

31 December 2019

	Gross				Reinsurance*	
	Insurance contract liabilities With DPF Kshs'000	Investment contract liabilities Kshs'000	Insurance contract liabilities without DPF Kshs'000	Total Insurance and investment contract liabilities KShs'000	Insurance liabilities without DPF Kshs'000	Net liabilities Kshs'000
Group life	-	-	242,096	242,096	51,734	190,362
Group credit	-	-	2,596,310	2,596,310	479,457	2,116,853
Endowment	1,673,519	-	-	1,673,519	-	1,673,519
Term assurance	-	-	8	8	-	8
Annuities	-	-	1,850,731	1,850,731	-	1,850,731
Total insurance liabilities	1,673,519	-	4,689,145	6,362,664	531,191	5,831,473
Unit linked	-	514,972	-	514,972	-	514,972
Total	1,673,519	514,972	4,689,145	6,877,636	531,191	6,346,445

**The Insurance contract liabilities with DPF features are not reinsured.*

56. INSURANCE AND FINANCIAL RISK *(continued)*

56.1 Insurance risk *(continued)*

1. Life insurance contracts (continued)

Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

- Mortality and morbidity rates

  Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

- Longevity

  Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the group's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

- Investment return

  The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

- Expenses

  Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

- Lapse and surrender rates

  Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.1 Insurance risk *(continued)*

1. Life insurance contracts (continued)

Key Assumptions (continued)

- Discount rate

  Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the group's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

The assumptions that have the greatest effect on the statement of financial position and statement of profit or loss of the group are listed below:

	Mortality and Morbidity rates		Lapse and surrender rates			Discount rates Investment return		
	2020	2019		2020		2019	2020	2019
			YR1 LAPSE	YR2 LAPSE	YR3 LAPSE			
Insurance contracts Annuities*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	-	-	-	13.2%	13.2%	13.0%
Life assurance*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	15%	10%	5%	Yield Curve	Yield curve	Yield curve

Valuation age is taken as the number of complete years of age "curtate age" at the date of valuation. The period of valuation has been taken as the original term to maturity less curtate duration at the valuation date

**The Annuities and life assurance balances are included in the life insurance contract liabilities.*

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

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NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.1 Insurance risk *(continued)*

2. Non-life insurance contracts (continued)

Life insurance contracts

	31 December 2020		31 December 2019	
	KShs '000	% change	KShs '000	% change
Main basis	6,162,150	-	5,398,183	-
Expenses plus 10%	6,199,134	0.65%	5,433,298	0.65%
Mortality and other claims				
Mortality plus 10%	6,169,984	0.13%	5,406,118	0.15%
Discount rate/Investment return less 20%	6,439,646	4.50%	5,654,505	4.75%
Expense inflation plus 1%				
Withdrawals plus 25%	6,163,672	0.02%	5,401,379	0.06%

2. Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, {the most significant risks arise when there is fire, motor accidents, property losses or medical claims for longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. 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. 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 uses commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

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.

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 overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.1 Insurance risk *(continued)*

2. Non-life insurance contracts (continued)

The table below sets out the concentration of insurance contract liabilities by type of contract:

	31 December 2020			31 December 2019		
	Gross liabilities KShs '000	Reinsurance of liabilities KShs '000	Net liabilities KShs '000	Gross liabilities KShs '000	Reinsurance of liabilities KShs '000	Net Liabilities KShs '000
Engineering	101,997	(37,300)	64,697	70,068	(25,290)	44,778
Fire	328,132	(124,128)	204,004	228,136	(87,330)	140,806
Liability	800,541	(482,238)	318,303	679,616	(465,255)	214,361
Marine	46,021	(1,981)	44,040	58,201	(2,768)	55,433
Motor	3,968,286	(268,210)	3,700,076	3,396,011	(252,088)	3,143,923
Medical	568,667	(4,456)	564,211	347,592	(2,902)	344,690
Others	874,280	(96,563)	777,717	740,956	(58,718)	682,238
Total	6,687,924	(1,014,876)	5,673,048	5,520,581	(894,351)	4,626,230

Key Assumptions

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: once–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.

Sensitivities

The non–life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non–linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

31/12/2020	Change in assumptions	Increase/ (decrease) on gross Liabilities	Increase/ (decrease) on net Liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Average Claim Cost	+10/-10	523.994	422,766	63,150	295,936
31/12/2019					
Average Claim Cost	+10/-10	131,570	85,520	46,049	13,814

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks

a. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the group's exposure to credit risk:

- A Group credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or group of counterparties, and industry segment (i.e., limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held).
- The Group maintains strict control limits by amount and terms on net open derivative positions. The amounts subject to credit risk are limited to the fair value of "in the money" financial assets against which the Group either obtains collateral from counterparties or requires margin deposits. Collateral may be sold or repledged by the Group and is repayable if the contract terminates or the contract's fair value falls.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non–payment of premiums or contributions will only persist during the grace period of 120 days specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.
- The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2019 and 2018 is the carrying amounts as presented in the statement of financial position.

The Group issues unit–linked investment policies in several its operations. In the unit–linked business, the policyholder bears the investment risk on the assets held in the unit–linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no credit risk on unit–linked financial assets.

During the year, no credit exposure limits were exceeded.

The group actively manages its product mix to ensure that there is no significant concentration of credit risk.

The Group's internal rating process

The Group's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the ECl's. The ratings are determined incorporating both qualitative and quantitative information from Standards and Poors (S&P), ratings supplemented with information specific to the counterparty and other external information that could affect the counterparty's behavior.

The Group reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating.

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

The Group's internal credit rating grades is as follows:

Internal rating grade	Internal rating description	Standard and Poors (S&P) rating
0	High grade	AAA
1	High grade	A-
2	Standard grade	BBB+
3	Sub-standard grade	BB+
4	Past due but not impaired	CCC+
5	Individually impaired	D

For staff loans, the credit rating is based on whether or not the staff is still in employment. The loan is given a 'high grade' rating if the staff is still in employment, and a 'past due but not impaired' rating in instances where the staff is no-longer employed with the group.

Significant increase in credit risk, default and cure

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments (Financial assets at amortised cost- Government securities, Financial Assets at amortised cost- Corporate Bonds, Financial Assets at amortised cost-Loans, Due from related party, Deposits with financial institutions, Other receivables and Cash and cash equivalents) is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Group also considers a variety of instances that may indicate unlikeness to pay by assessing whether there has been a significant increase in credit risk. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. The Group considers a financial asset in default when contractual payments are 90 days past due. The Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognises a lifetime ECL. This more applicable to financial assets arising from investments with financial institution. Such events include:

- Internal rating of the counterparty indicating default or near default for all asset classes
- The counterparty having past due liabilities to public creditors or employees for all asset classes except for staff loans.
- The counterparty filing for bankruptcy application for all asset classes
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts of financial difficulties for all asset classes except for staff loans.

The Group considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Group's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

The group actively manages its product mix to ensure there is no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

Collaterals and other credit enhancements

The amount and type of collateral required depends on assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each collateral, which applies only to staff loan advances. The main type of collaterals are as follows:

- For mortgages, legal charge over property to the extent of loan advanced.
- For car loans, the value of the motor vehicle

Management monitors the market value of the collateral and may request additional collateral in accordance with underlying agreement.

The Group does not physically repose properties but engages its legal department in collaboration with external agents to recover funds to settle outstanding debt. Because of this practice, the properties or motor vehicles are not recorded in the balance sheet and not treated as non-current asset held for sale.

The fair values of the collaterals equal to the outstanding loan balances at the end of each financial reporting period since the Group is only interested in recovering the loan balance.

Impairment losses on financial investments subject to impairment assessment.

Debt instruments measured at FVOCI

The table below shows the fair values of the group's debt instruments at FVOCI by credit risk, based on the group's internal credit rating system.

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Internal rating grade					
High grade	9,592,504	-	-	9,592,504	7,275,133
Standard grade	-	-	-	-	-
Total Gross Amount	9,592,504	-	-	9,592,504	7,275,133
ECL	-	-	-	-	-
Total Net Amount	9,592,504	-	-	9,592,504	7,275,133

*Debt instruments at amortised cost**

The table below shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances.

Details of the Group's grading system are explained above.

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a) Financial assets at amortised cost: Corporate bonds

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Fair value amount as at 1 January	7,275,133	-	-	7,275,133	5,841,496
New assets purchased	2,651,211	-	-	2,651,211	1,530,422
Assets matured	(352,400)	-	-	(352,400)	(187,180)
Changes in fair value	18,560	-	-	18,560	90,395
AFS interest reclassification	-	-	-	-	-
Movement between 12mECL and LTECL	-	-	-	-	-
At 31 December	9,592,504	-	-	9,592,504	7,275,133

Debt instruments at amortised cost*

The table below shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances.

Details of the Group's grading system are explained above.

a) Financial assets at amortised cost: Corporate bonds

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Performing					
High grade	158,047	-	-	158,047	291,335
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	158,047	-	-	158,047	291,335
(ECL)/Write backs	(744)	-	-	(744)	(1,102)
Total Net Amount	157,303	-	-	157,303	290,233

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

a) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Gross carrying amount as at 1 January	290,233	-	-	290,233	522,067
New assets purchased	-	-	-	-	36,075
Assets matured	(131,786)	-	-	(131,786)	(273,610)
Write off/ECL	(744)	-	-	(744)	(1,102)
Amortisation / Discount					
Movement between 12mECL and LTECL	(400)	-	-	(400)	6,803
At 31 December	157,303	-	-	157,303	290,233

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
ECL as at 1 January	1,102	-	-	1,102	1,087
New assets	(358)	-	-	(358)	-
Assets matured	-	-	-	-	15
Movement between 12m ECL and LTECL	-	-	-	-	-
	744	-	-	744	1,102

b) Financial assets at amortised cost: Government securities

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Performing					
High grade	2,010,376	-	-	2,010,376	1,941,363
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	2,010,376	-	-	2,010,376	1,941,363
(ECL)/Write backs	-	-	-	-	-
Total Net Amount	2,010,376	-	-	2,010,376	1,941,363

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

c) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Gross carrying amount as at 1 January	1,941,363	-	-	1,941,363	1,784,398
New assets purchased	704,292	-	-	704,292	382,466
Assets matured	(577,286)	-	-	(577,286)	(223,678)
Accrued interest capitalised	34,667			34,667	-
Amortisation / Discount	(92,660)	-	-	(92,660)	(1,823)
Movement between 12mECL and LTECL	-	-	-	-	-
At 31 December	2,010,376	-	-	2,010,376	1,941,363

d) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
ECL as at 1 January	-	-	-	-	-
New assets	-	-	-	-	-
Assets matured	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	-	-	-	-	-

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

Management assessed that there is low probability of default on these financial instruments as they are sovereign debts and there has been no history of default from the Government of Kenya.

c) Financial Assets at amortised cost-Loan Receivables

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Performing					
High grade	627,057	-	-	627,057	586,805
Standard grade	-	-	-	-	-
Past due but not impaired	56,970	-	-	56,970	62,529
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	684,027	-	-	684,027	649,334
(ECL)/Write backs	(4,062)	-	-	(4,062)	(4,800)
Total Net Amount	679,965	-	-	679,965	644,534

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

e) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Gross carrying amount as at 1 January	644,534	-	-	644,534	617,504
New assets purchased	264,834	-	-	264,834	353,066
Assets matured	(225,341)	-	-	(225,341)	(321,236)
Accrued interest capitalised	-	-	-	-	-
Amortisation / Discount					
Movement between 12mEC and LTECL	-	-	-	-	-
At 31 December	684,027	-	-	684,027	649,334

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
ECL as at 1 January	(4,800)	-	-	(4,800)	11,553
New assets	3,688	-	-	3,688	1,608
Assets matured	(2,950)	-	-	(2,950)	(17,961)
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	(4,062)	-	-	(4,062	(4,800)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

a) COMPANY

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Performing					
High grade	11,462	-	-	11,462	9,275
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	11,462	-	-	11,462	9,275
(ECL)/Write backs	-	-	-	-	-
Total Net Amount	11,462	-	-	11,462	9,275

b) COMPANY

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Gross carrying amount as at 1 January	9,275	-	-	9,275	35,174
New assets purchased	-	-	-	-	-
Assets matured		-	-		(25,899)
Accrued interest capitalised	2,187	-	-	2,187	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECL and LTECL	-	-	-	-	-
At 31 December	11,462	-	-	11,462	9,275

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
ECL as at 1 January	-	-	-	-	-
New assets	-	-	-	-	-
Assets matured	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

iv) Deposits with financial institutions

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Performing					
High grade	5,258,393	-	-	5,258,393	3,949,313
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	23,366	23,366	26,851
Total Gross	5,258,393	-	23,366	5,281,759	3,976,164
(ECL)/Write backs	(41,068)	-	-	(41,068)	(30,509)
Total Net Amount	5,217,325	-	23,366	5,240,691	3,945,655

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Gross carrying amoun as at 1 January	3,976,164	-	-	3,976,164	5,308,192
New assets purchased	5,764,243	-	-	5,764,243	7,743,678
Assets matured	(4,458,648)	-	-	(4,458,648	(9,075,706)
Write off	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECL and LTECL	-	-	-	-	-
At 31 December	5,281,759	-	-	5,281,759	3,976,164

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
ECL as at 1 January	3,658	-	26,851	30,509	54,204
New assets	14,044	-	-	14,044	-
Assets matured	-	-	(3,485)	(3,485)	(23,695)
Unwind of discount	-	-	-		
Movement between 12m ECL and LTECL	-	-	-	-	-
	17,702	-	23,366	41,068	30,509

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

f) COMPANY

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Performing					
High grade	74,541	-	-	74,541	71,650
Standard grade	-	-	-	-	-
Past due but not impaired		-	-		
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	74,541	-	-	74,541	71,650
(ECL)/Write backs	-	-	-	-	-
Total Net Amount	74,541	-	-	74,541	71,650

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

g) COMPANY

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Gross carrying amount as at 1 January	74,541	-	-	71,650	1,366,178
New assets purchased	-	-	-	-	-
Assets matured	-	-	-	-	(1,294,528)
Accrued Interest	-			2,891	-
Movement between 12mECL and LTECL	-	-	-	-	-
At 31 December	74,541	-	-	74,541	71,650

h) COMPANY	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
ECL as at 1 January	47	-	-	47	6,618
New assets	-	-	-	-	-
Assets matured	(10)	-	-	(10)	(6,571)
Movement between 12m ECL and LTECL	-	-	-	-	-
	37	-	-	37	47

56. INSURANCE AND FINANCIAL RISK *(continued)*

56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

v) Financial assets at amortised cost -Deposits and commercial paper

a) GROUP

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Performing					
High grade	32,612	-	-	32,612	156,019
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	32,612	-	-	32,612	156,019
(ECL)/Write backs	48	-	-	48	(587)
Total Net Amount	32,660	-	-	32,660	155,432

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

b) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Gross carrying amount as at 1 January	156,019	-	-	156,019	94,017
Transfers	-	-	-	-	-
New assets purchased	-	-	-	-	218,726
Assets matured	(121,661)	-	-	(121,661)	(155,395)
Accrued interest capitalised	(1,746)	-	-	(1,746)	(1,329)
Amortisation / Discount	-	-	-	-	-
Movement between 12mECL and LTECL	-	-	-	-	-
At 31 December	32,612	-	-	32,612	156,019

c) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
ECL as at 1 January	587	-	-	587	386
New assets	-	-	-	-	201
Assets matured	(635)			(635)	
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	(48)	-	-	(48)	587

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

d) Financial assets at amortised cost -Related parties

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Performing					
High grade	155,687	-	-	155,687	126,664
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	155,687	-	-	155,687	126,664
(ECL)/Write backs	(7994)	-	-	(7994)	(371)
Total Net Amount	147,693	-	-	147,693	126,293

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

e) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Gross carrying amount as at 1 January	126,293	-	-	126,293	103,263
New assets purchased	21,400	-	-	21,400	23,030
Assets matured	-	-	-	-	-
Accrued interest capitalized	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECL and LTECL	-	-	-	-	-
At 31 December	147,693	-	-	147,693	126,293

f) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
ECL as at 1 January	371	-	-	371	265
New assets	7,623	-	-	7,623	106
Assets matured	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	7,994	-	-	7,994	371

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

Other receivables

2020

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Performing					
High grade	316,313	-	-	316,313	342,642
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	316,313	-	-	316,313	342,642
(ECL)/Write backs	(3,761)	-	-	(3,761)	(2,813)
Total Net Amount	312,552	-	-	312,552	339,829

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

2020

GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
Gross carrying amount as at 1 January	339,829	-	-	339,829	228,692
New assets purchased	-	-	-	-	111,137
Assets matured	(27,277)	-	-	(27,277)	-
Accrued interest capitalised	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECL and LTECL	-	-	-	-	-
At 31 December	312,552	-	-	312,552	339,829

GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2020	Total 2019
ECL as at 1 January	2,979	-	-	2,979	2,896
New assets	782	-	-	782	-
Assets matured		-	-		83
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	3,761	-	-	3,761	2,979

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

The table below indicates the maximum exposure of assets bearing credit risk:

	2020 KShs	2019 KShs
Corporate bonds at amortised cost	157,303	290,233
Government securities at amortised cost	2,010,376	1,941,363
Loans receivable	679,965	644,534
Government securities at fair value through OCI	9,592,504	7,275,133
Deposits and commercial paper	32,660	155,432
Investment in collective Schemes	1,830,444	1,486,501
Receivables arising out of direct insurance arrangements	1,494,107	1,583,066
Receivables arising out of reinsurance arrangements	2,933,810	2,347,976
Other receivables	312,552	339,353
Due from related parties	147,693	126,293
Deposits with financial institutions	5,240,691	3,945,655
Cash and cash equivalents	357,403	813,183
Total	24,789,508	20,948,722

The group actively manages its product mix to ensure there is no significant concentration of credit risk.

Short term business

Impaired financial assets

At 31 December 2020, there are impaired insurance assets of KShs 1.4 billion (2019: KShs 1.4 billion).

For assets to be classified as" past–due and impaired" contractual payments must be in arrears for more than 120 days. No collateral is held as security for any past due or impaired assets.

The group records impairment allowances for receivables arising out of direct insurance arrangements in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for premium receivables is, as:

	2020 KShs '000	2019 KShs '000
At 1 January	1,450,424	1,344,067
Charge for the year	276,467	106,357
At 31 December	1,726,891	1,450,424

Collateral

No collateral is held in respect of the receivables that are past due but not impaired.

Financial assets neither past due nor impaired

There were no financial assets that are neither impaired nor past due as at 31 December 2020.

56. INSURANCE AND FINANCIAL RISK *(continued)*

56.2 Financial risks *(continued)*

a. Credit risk *(continued)*

b. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the group's exposure to liquidity risk:

- A group liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the group. Compliance with the policy is monitored and exposures and breaches are reported to the group risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The group's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the group based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

56. INSURANCE AND FINANCIAL RISK (continued)Financial risks *(continued)*

b. Liquidity risk (continued)

The table below provides a contractual maturity analysis of the group's financial assets and liabilities:

	31-Dec-20				31-Dec-19			
	6 months or on demand KShs '000	Between 6 months and 1 year KShs '000	More than 1 year KShs '000	Total KShs '000	6 months or on demand KShs '000	Between 6 months and 1 year KShs '000	More than 1 year KShs '000	Total KShs'000
Financial assets at amortised cost- Corporate Bonds	31,442	35,363	105,525	172,330	69,376	88,433	157,084	314,893
Financial assets at amortised cost -Government securities	-	75,231	1,935,145	2,010,376	-	171,957	2,378,051	2,550,008
Financial assets at amortised cost -Loans receivable	2,183	157	730,928	733,268	-	4,837	733,088	737,925
Financial assets at fair value through other comprehensive income -Government securities	5,268	-	20,997,810	21,003,078	24,189	36,989	15,708,679	15,769,857
Financial assets at amortised cost -Deposits and commercial paper	32,660	-	-	32,660	125,348	30,084	-	155,432
Investments in collective investment schemes at fair value through Profit or loss	1,830,444	-	-	1,830,444	1,486,501	-	-	1,486,501
Receivables arising out of direct insurance arrangements	1,494,107	-	-	1,494,107	1,583,066	-	-	1,583,066
Receivables arising out of reinsurance arrangements	2,933,810	-	-	2,933,810	2,347,976	-	-	2,347,976
Other receivables	312,552	-	-	312,552	339,533	-	-	339,533
Due from related parties	147,693	-	-	147,693	126,293	-	-	126,293
Deposits with financial institutions	3,493,712	987,455	759,524	5,240,691	3,945,655	-	-	3,945,655
Cash and cash equivalents	357,403	-	-	357,403	813,183	-	-	813,183
Total financial assets	12,388,253	110,751	23,769,408	36,268,412	10,861,120	332,300	18,976,902	30,170,322
Borrowings	-		6,540,308	6,540,308	-	6,195,490	-	6,195,490
Lease Liability	-	97,981	150,742	248,723	-	73,824	144,730	218,554
Other payables	1,298,544	-	28,821	1,327,365	1,251,947	-	29,391	1,281,338
Payables arising from reinsurance arrangements and insurance bodies	677,612	188,655	-	866,267	20,083	84,609	-	104,692
Deposits administration contracts	1,032,604	483,413	3,818,541	5,334,558	1,091,622	196,985	2,901,406	4,190,013
Insurance contracts liabilities	7,557,355	-	-	7,557,355	6,297,999	196,985	3,416,378	9,911,362
Total financial liabilities	10,566,115	770,049	10,538,412	21,874,576	8,661,651	6,747,893	6,491,905	21,901,449
Net liquidity gap	1,822,138	(659,298)	13,230,996	14,393,836	2,199,469	(6,415,593)	12,484,997	8,268,873

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

c. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The group's market risk policy sets out the assessment and determination of what constitutes market risk for the group. Compliance with the policy is monitored and exposures and breaches are reported to the group risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
- The group stipulates diversification benchmarks by type of instrument, as the group is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

In the unit–linked business, the policyholder bears the investment risk on the assets held in the unit–linked funds as the policy benefits are directly linked to the value of the assets in the fund. The group's exposure to market risk on this business is Limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

i. Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Kenya Shilling and its exposure to foreign exchange risk arise primarily with respect to US Dollar (USD), Uganda Shillings (UGSH) and Malawian Kwacha (MK).

The group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. This mitigates the foreign currency exchange rate risk for the overseas operations. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance contract liabilities are expected to be settled.

The group has no significant concentration of currency risk.

	31st December 2020			31st December 2019	
Currency	Increase/ (decrease) in variables	Impact on PBT KShs'000'	Impact on Equity KShs'000'	Impact on PBT KShs'000'	Impact on Equity KShs'000'
SSP	10%	(23,198)	36,994	2,225	58,518
SSP	-10%	(23,198)	(36,994)	(2,225)	(58,518)
UGSH	10%	(5,733)	(9,692)	8,961	(16,826)
UGSH	-10%	(5,733)	9,692	(8,961)	16,826
MK	10%	(4,335)	18,580	1,156	13,534
MK	-10%	4,335)	(18,580)	(1,156)	(13,534)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re–priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

c. Market Risk

ii. Interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Financial assets at amortised cost- Deposits and commercial papers and staff loans are not affected by interest rate risk because the rates are agreed at the beginning of the contract financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The Group's management monitors the sensitivity of reported interest rate movement on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5% in yield curves of financial assets and financial liabilities. The Group is not exposed to interest rate risk as all financial assets are at fixed interest rates.

	Effect on profit due to an increase/decrease of 5% in interest rates	
	2020 KShs '000	2019 KShs '000
	12,291	9,243
Government securities available for sale	-	1,137
Corporate bonds	14,030	17,931
Deposits with financial institutions		
Other deposits and commercial paper	562	7,126

iii. Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by 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, classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income investments. Exposure to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange Limited (NSE).

56. INSURANCE AND FINANCIAL RISK *(continued)*
56.2 Financial risks *(continued)*

c. Market Risk *(continued)*

iii. Equity price risk *(continued)*

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

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

Equity investment through profit or loss represent 96% (2019: 96%) of total equity investments. If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the Group's equity investments moving according to the historical correlation with the index, the profit for the year would increase/decrease by KShs 2,487,400 (2019: KShs 2,487,400).

57. FAIR VALUE MEASUREMENT

The group specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi securities exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components, property, equipment and investment property

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

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

The table below shows an analysis the fair value of assets by level in the fair value hierarchy. However, it does not include instruments whose fair value approximates the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

57. FAIR VALUE MEASUREMENT *(continued)*

31-Dec-20	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amounts
Recurring fair value Measurements					
Equity investments classified:					
-at fair value through profit or loss	1,167,172	-	-	1,167,172	1,167,172
- at fair value through OCI	-	15,124	-	15,124	15,124
Government securities classified					
at fair value through OCI	9,592,504	-	-	9,592,504	9,592,504
Owner occupied property and equipment	-	-	316,272	316,272	316,272
Investment properties	-	-	7,465,411	7,465,411	7,465,411
Non-recurring fair value Measurements					
Corporate bonds		167,186	-	167,186	157,303
Government securities at amortised cost	2,620,432		-	2,620,432	2,010,376
Deposits and Commercial paper		32,660	-	32,660	32,660
Loan receivables	-	-	679,965	679,965	679,965
Total assets at fair value	13,380,108	214,970	8,461,648	22,056,726	21,436,787
Unit linked contracts	-	-	523,663	523,663	523,663
Total liabilities at fair value	-	-	523,663	523,663	523,663

31-Dec-19	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000	Carrying amounts
Recurring fair value Measurements					
Equity investments classified:					
-at fair value through profit or loss	1,428,193	-	-	1,428,193	1,428,193
- at fair value through OCI					
Government securities classified	-	20,236	-	20,236	20,236
at fair value through OCI	7,275,133	-	-	7,275,133	7,275,133
Owner occupied property and equipment	-	-	409,795	409,795	409,795
Investment properties	-	-	7,442,205	7,442,205	7,442,205
Non-recurring fair value Measurements					
Corporate bonds		345,239	-	345,239	290,233
Government securities at amortised cost	1,976,390		-	1,976,390	1,941,363
Loan receivables*	-	-	644,534	644,534	644,534
Deposits and Commercial paper	-	155,432		155,432	155,432
Total assets at fair value	10,679,716	520,907	8,496,534	19,697,157	19,607,124
Unit linked contracts	-	-	514,972	514,972	514,972
Total liabilities at fair value	-	-	514,972	514,972	514,972

**Loans receivable have been transferred from level 2 as in year ended 31 December 2019 to level 3.*

57. FAIR VALUE MEASUREMENT *(continued)*

Valuation methods used in determining the fair value of assets and liabilities

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31December 2020 are as shown below.

Instrument	Applicable Level	Valuation methods	Inputs
Loans and receivables at amortised cost	2	Discounted cash flow model (DCF)	Average Market interest rates 13%
Corporate bonds at amortised cost	2	Discounted cash flow model (DCF)	Interest rates
Equity investments classified as fair value through OCI	2	Net Asset Value	Current unit price of underlying unitised assets and interest rates.
Investments in collective investment schemes at fair value through profit or loss	2	Net Asset Value	Current unit price of underlying unitised assets and interest rates.
Deposits and commercial paper	2	Net Asset Value and Discounted Cash Flow (DCF)	Current unit price of underlying unitised assets and interest rates.

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31December 2020 are as shown below.

Instrument	Level	Valuation basis	Rate	Significant unobservable Inputs	Sensitivity of input to the fair value
Investment properties	3	Discounted cash flow model (DCF)	13	Discount rate used, Net Annual Rent, Annual rent growth rate	Increase/(decrease) in discount by 5% would decrease/(increase) fair value by KShs 80.1 million
Owner occupied property and equipment	3	Discounted Cash Flow (DCF)	13	Discount rate used, Net Annual Rent, Annual rent growth rate	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 1.9 million.
Unit Linked contracts	3	Number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price	N/A	Market value of assets of the fund	Increase/(decrease) in the market price by 5% of the assets in the fund would increase/ (decrease) fair value by KShs 25.7 million.
Deposits Administration contracts	3	Deposits, withdrawals and investment returns from the fund.	N/A	Market value of assets of the fund	Increase/(decrease) in the market price of the assets in the fund would increase/ (decrease) fair value by KShs 209 million.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2020

58. GOING CONCERN STATUS OF THE SUBSIDIARIES AND THE COMPANY

CIC Africa (Uganda) Limited

The subsidiary is technically insolvent. It reported a profit of KShs 57 million for the year ended 31 December 2020 (2019 -KShs 90 million). In addition, the subsidiary's accumulated losses stood at KShs. 467 million (2019 - KShs 456 million) as at 31 December 2020 while its total liabilities exceeded total assets by KShs 96 million (2019 – net liability position of KShs 168 million).

The subsidiary relies on the parent company for provision of working capital and its ability to continue as a going concern depends on the continued support it receives from the parent company. The parent company confirms its commitment to continue giving financial support to the subsidiary, and it has issued an undertaking in this respect to the subsidiary. The undertaking affirms the parent company's commitment to continue providing sufficient financial support, if necessary; to enable the subsidiary meets its financial obligations, as and when they fall due, and to ensure it continues trading into the foreseeable future.

Further, the directors have assessed business outlook of the subsidiary, and they are confident that its financial performance will improve, and it will become profitable in the foreseeable future. The directors have no immediate plan to cease operations of the subsidiary, and /or liquidate it.

Therefore, the directors believe it is appropriate that the financial statements of the subsidiary be prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the subsidiary will have adequate resources to meet obligations as and when they fall due, and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

CIC Insurance Group PLC the company

The company reported a loss of KShs 435 million (2019: loss of KShs 132 million) for the year ended 31 December 2020 and as that date, total assets exceeded total liabilities by KShs 3.5 billion (2019- KShs 4 billion) However, we noted current liabilities exceeded current assets by KShs 365 million (2019-Current liabilities exceeded current assets by KShs 365 million).

The financial statements have been prepared on a going concern basis as the holding entity is in the process of selling the investment property to help in the liquidity of company, further the company is looking at charging management fees to the subsidiaries to ensure that it is profitable.

59. INCORPORATION

The Company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

60. HOLDING COMPANY

The holding entity is Co-operative Insurance Society Limited which is incorporated and domiciled in Kenya.

61. CURRENCY

The financial statements are presented in Kenya shillings thousands (KShs '000') which is also the functional currency of the Company.

62. COVID-19 update

On 11 March 2020, the World Health Organisation (WHO) declared COVID-19 a global pandemic. Outbreaks of the disease were recorded in countries around the world and drastic measures taken, including the closure of borders, institution of curfews and lockdowns. Businesses scaled down operations to contain the spread of the virus in line with the measures taken by the government to mitigate the effects of adverse developments arising from rapid transmission of the virus.

The impact of COVID-19 has been factored in the results and in the valuation of the group's assets and liabilities. The directors are not aware of any material issues and uncertainties related to the pandemic that may cast doubt upon the Group's ability to continue as a going concern. Further, the directors consider the carrying value of the assets held at 31 December 2020 to be fairly stated.

63. EVENTS AFTER REPORTING DATE

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

CIC LIFE ASSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020
APPENDIX I

	Ordinary Life & Annuities Kshs '000	Group Life Kshs '000	Total 2020 Kshs '000	Total 2019 Kshs '000
Gross written premiums	1,162,744	3,766,118	4,928,862	4,997,893
Less: Reinsurance premiums ceded	(14,743)	(1,031,514)	(1,046,257)	(968,313)
Net earned premiums	1,148,001	2,734,604	3,882,605	4,029,580
Claims and Policyholders' benefits:				
Life and health claims	(17,161)	(1,641,252)	(1,658,413)	(1,454,945)
Maturities	(554,047)	-	(554,047)	(463,445)
Surrenders	(131,712)	-	(131,712)	(123,763)
Actuarial reserves	(580,808)	(204,426)	(785,234)	(845,636)
Net claims and policyholders' benefits	(1,283,728)	(1,845,678)	(3,129,406)	(2,887,789)
Commissions paid	(90,999)	(13,320)	(104,319)	(93,305)
Expenses of management	(209,080)	(915,969)	(1,125,049)	(1,493,803)
Premium tax	(25,961)	-	(25,961)	4,281
Total expenses and commissions	(326,040)	(929,289)	(1,255,329)	(1,582,827)
Investment income	301,568	286,568	588,136	603,984
Profit before taxation	(160,199)	246,205	86,006	162,948
Taxation charge	-	(25,802)	(25,802)	(48,884)
Profit for the year	(160,199)	220,403	60,204	114,064
Increase in life fund for the year	(160,199)	220,403	60,204	114,064

The revenue account was approved by the board of directors on 24 March, 2021 and was signed on its behalf by:

Japheth Magomere, OGW,
Chairman CIC Group.

Patrick Nyaga
Group CEO.

Jyoti Patel
Director.

CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

APPENDIX II

	C.A.R & Engin-eering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Com-mercial Shs.'000	Motor Pool Shs.'000	Medical insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Work men's Comp. Shs.'000	Misc. Accident Shs.'000	Micro solutions Shs.'000	Total 2020 Shs.'000
Gross premium written	223,507	104,867	671,129	76,257	69,340	1,990,696	1,799,794	-	3,978,871	195,726	591,435	319,416	173,747	1,963	10,196,748
Unearned premium transferred in	270,561	27,003	283,316	46,016	19,318	954,986	923,244	-	1,249,590	45,419	177,008	116,698	34,199	14,842	4,162,200
Unearned premium c/f	177,567	37,692	266,536	33,829	10,819	968,126	820,238	-	1,266,917	41,112	141,563	107,516	33,635	1,352	3,906,902
Gross earned premium	316,501	94,178	687,909	88,444	77,839	1,977,556	1,902,800	-	3,961,544	200,033	626,880	328,598	174,311	15,451	10,452,044
Reinsurance premium	(249,690)	(13,476)	(516,601)	(15,744)	(19,325)	(88,784)	(82,031)	-	(237,086)	(80,871)	(331,705)	(27,577)	(178,434)	-	(1,841,324)
Net earned premium	66,811	80,702	171,308	72,700	58,514	1,888,772	1,820,769	-	3,724,458	119,162	295,175	301,021	(4,123)	15,451	8,610,720
Gross claims paid	30,982	14,197	133,388	128,235	12,913	1,663,349	1,281,715	-	2,692,868	50,051	66,539	204,414	45,649	722	6,325,022
Outstanding claims c/f	79,914	90,162	166,927	627,218	36,057	1,656,528	1,450,502	2,092	445,546	86,889	277,793	293,619	20,853	5,837	5,239,937
Outstanding claims transferred in	58,491	8,275	182,167	567,325	48,585	1,497,382	1,335,424	2,092	290,160	103,024	207,085	281,550	21,034	5,838	4,608,432
Gross claims incurred	52,405	96,084	118,148	188,128	385	1,822,495	1,396,793	-	2,848,254	33,916	137,247	216,483	45,468	721	6,956,527
Recoveries	(20,837)	(19,950)	(95,467)	(99,745)	(1,094)	(215,613)	(241,581)	-	(103,895)	7,808	(19,796)	(104,028)	(39,143)	(104)	(953,445)
Net incurred Claims	31,568	76,134	22,681	88,383	(709)	1,606,882	1,155,212	-	2,744,359	41,724	117,451	112,455	6,325	617	6,003,082
Commission receivable	53,878	6,213	182,015	3,552	4,674	-	-	-	-	22,815	76,389	595	33,470	-	383,601
Commissions payable	56,119	17,980	173,835	17,515	15,733	188,271	184,800	-	386,709	37,910	109,637	61,675	19,964	215	1,270,363
Net commission	2,241	11,767	(8,180)	13,963	11,059	188,271	184,800	-	386,709	15,095	33,248	61,080	(13,505)	215	886,762
Management Expenses	37,861	30,522	113,850	16,571	49,197	484,087	616,937	-	247,706	114,667	197,193	83,030	54,361	8,074	2,054,056
Premium Tax	2,692	1,263	8,083	918	835	23,976	21,677	-	47,921	2,357	7,123	3,847	2,093	23	122,808
Total	40,553	31,785	121,933	17,489	50,032	508,063	638,614	-	295,627	117,024	204,316	86,877	56,454	8,097	2,176,864
Total claims expenses and commissions	33,809	87,901	14,501	102,346	10,350	1,795,153	1,340,012	-	3,131,068	56,819	150,699	173,535	(7,181)	832	6,889,844
Underwriting profit/(loss)	(7,551)	(38,984)	34,874	(47,135)	(1,868)	(414,444)	(157,857)	-	297,763	(54,681)	(59,840)	40,609	(53,396)	6,522	(455,988)

The revenue account was approved by the board of directors on 24 March, 2021 and was signed on its behalf by:

Japheth Magomere, OGW,
Chairman CIC Group PLC

Patrick Nyaga
Group Chief Executive Officer

Jyoti Patel
Director.

CIC INSURANCE GROUP PLC **APPENDIX III**

GLOSSARY OF INSURANCE TERMS

FOR THE YEAR ENDED 31 DECEMBER 2020

Assumptions	The underlying variables which are taken into account in determining the value of insurance and investment contract liabilities.
Benefits and claims experience variation	The difference between the expected and the actual benefit
Claims development table	A table that compares actual claims paid and current estimates of claims with previously reported estimates of the same claims, demonstrating the sufficiency or otherwise of those previous estimates.
Discretionary participation feature (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional payout benefits: • That are likely to be a significant portion of the total contractual benefits • Whose amount or timing is contractually at the discretion of the issuer • That are contractually based on: • The performance of a specified pool of contracts or a specified type of contract • Realised and/or unrealised investment returns on a specified pool of assets held by the issuer • The profit or loss of the Group, fund or other entity that issues the contract
Deferred expenses – deferred acquisition costs (DAC)	Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and/or investment contracts with DPF, which are deferred and brought to account as expenses of future reporting periods.
General insurance	An insurance contract which provides coverage other than life insurance to the policyholder. Examples include motor, household, third party liability, marine and business interruption. Short-term life and health insurance is also frequently classified as general insurance.
*Financial risk**	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non–financial variable that the variable is not specific to a party to the contract.
*Insurance contract**	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Incurred but not report (IBNR)	Claims to be made by a policyholder, but not yet reported to the insurance company.
*Insurance risk**	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
Investment contract	A contract, which contains significant financial risk and may contain insignificant insurance risk but does not meet the definition of an insurance contract.
Liability adequacy test	An annual assessment of the sufficiency of insurance to cover future insurance obligations.
Outstanding claims provision	Comprises claims reported by the policyholder to the insurance company, and IBNR claims.
Premiums earned	In the case of general insurance business, earned premium is the proportion of written premiums (including, where relevant, those of prior accounting periods) attributable to the risks borne by the insurer during the accounting period. For non-life insurance contracts, the premium income attributable to the insurance risks borne by the insurer in the reporting period, that is, after adjusting for the opening and closing balances of unearned premium. Premiums to which the insurer is contractually entitled becoming due for payment in the accounting period. Insurance risk that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Premiums written	Premiums to which the insurer is contractually entitled becoming due for payment in the accounting period.
Reinsurance	Insurance risk that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Unit–holder/unit–linked	Investor in a unit–linked product, when the investment risk is borne by the policyholder and not by the insurance company.

NOTICE OF ANNUAL GENERAL MEETING OF THE CIC INSURANCE GROUP PLC

NOTICE IS HEREBY GIVEN that the Forty Second (42nd) Annual General Meeting of the shareholders of the CIC INSURANCE GROUP PLC will be held via electronic means, on Tuesday 29th June 2021 at 10.00am to transact the business as set out below.

AGENDA

1. **Constitution of the Meeting**

   The Company Secretary to read the notice convening the meeting and determine if a quorum is present.

2. **Ordinary Business**

   To receive, consider and if thought fit, adopt the Annual Report and Financial Statements for the year ended 31st December 2020 together with the Directors' and Auditors Reports thereon.

3. To note that the Directors do not recommend the payment of a dividend for the year ended 31st December 2020.

4. **Rotation, Election and Retirement of Directors**

   a) **Appointment of Director:**
   Mr. Julius Mwatu being a Director appointed by the Board on 1st April 2021 to fill a casual vacancy in accordance with Article 132 of the Company's Articles of Association retires and being eligible offers himself for election.

   b) **Rotation of Director:**
   Ms. Jyoti Patel retires by rotation in accordance with Article 127 of the Company's Articles of Association, and although eligible does not offer herself for re-election.

   c) **Retirement of Director:**
   To note the retirement of Mr. Japheth Magomere who has served his full tenure.

5. **Board Audit Committee**
   In accordance with the provisions of section 769 (1) of the Companies Act 2015, the following Directors, being members of the Audit Committee of the Board, be elected to continue to serving as members of the said Committee:
   a. Julius Mwatu
   b. Judith Oluoch
   c. Mr. Peter Nyigei

6. **Remuneration of Directors**
   To approve the Directors Remuneration and the report thereof for the year ended 31st December 2020 and to authorize the directors to fix the directors remuneration for the year ending 31st December 2021.

7. **Appointment of Messrs. PriceWaterhouseCoopers, Certified Public Accountants**
   To receive, consider and if thought fit appoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, having expressed their willingness to continue in office as auditors of the company in accordance with section 721 (2) of the Companies Act. No 17 of 2015 and to authorize Directors to fix their remuneration.

8. **Special Business**
   To consider and, if thought fit, pass the following resolution as a special resolution:

   a). Changes to the Company's Articles of Association

   THAT the Articles of Association of the Company be amended in the manner set out in the amended Articles of Association available on the Company's website, www.cic.co.ke and also made available at the meeting, the rationale being to align the Articles of Association to the various legislative changes.

9. **Any Other Business**
   To transact any other business for which due notice has been received.

Dated at Nairobi this 26th day of May 2021

By Order of the Board,

GAIL ODONGO
GROUP COMPANY SECRETARY AND CHIEF LEGAL OFFICER

NOTES:

1. In accordance with the provisions of section 3 of the Companies, Act, 2015 as amended vide the Business Laws (Amendment) (No. 2) Act, 2021, the Forty Second Annual General Meeting (AGM) of CIC Group Holdings PLC ("the Company") will be held virtually on Tuesday 29th June 2021 at 10.00am.

2. Shareholders wishing to participate in the meeting should register for the AGM by *483*809# for all networks and follow the various prompts regarding the registration process. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders (whether in Kenya or outside) should dial the following helpline number: (+254) 709 170 000 from 8:00 a.m. to 5:00 p.m. from Monday to Friday. A Shareholder domiciled outside of Kenya can send an email to Image Registrars via CICGROUPAGM@image.co.ke.

3. Registration for the AGM opens on 7th day of June, 2021 at 9:00 am and will close on Sunday 27th June, 2021 at 5.00 pm.

4. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.cic.co.ke (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year 2020; (iii) Copy of the Amended Articles of Association.

5. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
   a) sending their written questions by email to CICGROUP@image.co.ke
   b) shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialing the USSD code above and selecting the option (ask Question) on the prompts
   c) to the extent possible, physically delivering their written questions with a return physical address or email address to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi, or
   d) sending their written questions with a return physical address or email address by registered post to the Company's address at P. O. Box 58485-00200 Nairobi.

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before Monday 28th June, 2021 at 11:00 am.

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the general meeting.

6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company. A proxy form is available on the Company's website via this link: http://www.cic.co.ke. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street. A proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to CICGROUPAGM@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than Sunday 27th June, 2021 at 10:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Monday 28th June, 2021 at 10.00 am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 28th June, 2021 to allow time to address any issues.

7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

8. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts.

9. A poll shall be conducted for all the resolutions put forward in the notice.

10 Results of the AGM shall be published on the Company's website within 24 hours following conclusion of the Annual General Meetings.

PROXY FORM

THE COMPANY SECRETARY,
CIC INSURANCE GROUP PLC
CIC PLAZA, MARA ROAD, UPPERHILL NAIROBI,
P. O. BOX 59485 - 00200
NAIROBI, KENYA

I/WE ____

of ____

Being a shareholder of **CIC Insurance Group Plc** hereby appoint the Chairman of the Meeting or *(see notes 3 and 5)* ______________________________ *(Name of proxy)* in respect of my ______________________ *(Number of shares)*. Please indicate here if you are appointing more than one proxy __________________ *(see note 5)* as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held electronically on 29th June, 2021 at 10.00 am and at any adjournment thereof.

Signature(s)

____

____

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matte which is properly put before the Meeting.

PROXY FORM *(continued)*

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	WITHHELD
Approval of the Report and Financial Statements for the Year ended 31 December, 2020			
Appointment of **Mr. Julius Mwatu** as a Director of the Group.			
Board Audit Committee Election of the following Directors, as members of the Audit Committee of the Board. a. **Julius Mwatu** b. **Judith Oluoch** c. **Mr. Peter Nyigei**			
Approve the Directors' Remuneration Report.			
Appoint Messrs. **PriceWaterhouseCoopers**, Certified Public Accountants, as the Auditors of the Company and authorize Directors to fix their remuneration.			
SPECIAL BUSINESS;			
1. To consider and, if thought fit, pass the following resolution as a special resolution: **a. Changes to the Company's Articles of Association** **THAT** the Articles of Association of the Company be amended in the manner set out in the amended Articles of Association available on the Company's website, *www.cic.co.ke* and also made available at the meeting the rationale being to align the Articles of Association to the various legislative changes.			

PROXY FORM *(continued)*

ELECTRONIC COMMUNICATIONS PREFERENCE FORM

Please complete in BLOCK CAPITALS

Full name of member(s): ______________________________

____

____

Address: ______________________________

____

CDSC No *(if known)* ______________________________ *(This can be found on your CDSC Statement)*

Mobile Number: | | | | | | | | | | |

Date: ______________________ Signature: ______________________

Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287-00100 Nairobi,5th floor, Absa Towers *(formerly Barclays Plaza)*, Loita Street:

Approval of Registration

I/WE approve to register to participate in the virtual Annual General Meeting to be held on 29th June, 2021.

Consent for use of the Mobile Number provided

I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed and returned to reach the Company's share registrar, **Image Registrars Limited**, 5th Floor, Barclays Plaza, Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to **CICGROUPAGM@image.co.ke** to arrive not later than **10:00 a.m.** on **27th June, 2021** i.e. 48 hours before the meeting or any adjournment thereof.

3. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.

5. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company

7. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.

9. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to Image Registrars, Barclays Plaza, 5th Floor, Loita Street and address P.O.Box 9287-00100 Nairobi not later than 11.00 am on 27th June 2021 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.

11. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.

13. A "vote withheld" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

NOTEPAD

CIC OFFICES

KENYA

NAIROBI BRANCHES:

TOWN OFFICE
Reinsurance Plaza
Mezzanine Floor, Aga Khan Walk
Mobile: 0703 099 500
Tel: (020) 329 6000
townoffice@cic.co.ke

BURU BURU BRANCH
Vision Place, Ground Floor
Mumias Road
Mobile: 0703 099 564
buruburubranch@cic.co.ke

WESTLANDS BRANCH
Pamstech House
2nd Floor, Woodvale Grove
Mobile: 0703 099 727
westlandsbranch@cic.co.ke

OTHER OFFICES:

THIKA BRANCH
Thika Arcade, 6th Floor
Mobile: 0703 099 641
Kenyatta Highway
thika@cic.co.ke

KITENGELA BRANCH
Capital Center, 2nd Floor
Mobile: 0703 099 740
kitengela@cic.co.ke

NANYUKI BRANCH
Pearl Place, 1st Floor
Mobile: 0703 099 770
nanyuki@cic.co.ke

NAIVASHA BRANCH
Eagle Center, 1st Floor
Mbariu Kaniu Road
Mobile: 0703 099 763
naivasha@cic.co.ke

NYAHURURU BRANCH
Kimwa Centre, 2nd Floor
Kenyatta Avenue
Tel: (065) 203 2055
nyahururu@cic.co.ke

MACHAKOS BRANCH
ABC Imani Plaza, 2nd Floor
Tel: 0703 099 960
machakosbranch@cic.co.ke

KIAMBU BRANCH
Bishop Ranji Cathedral Plaza,
2nd & 3rd Floor
Tel: 0703 099 630
kiambu@cic.co.ke

NYERI BRANCH
Co-operative Union Building
3rd Floor,
Tel: 0703 099 680
nyeri@cic.co.ke

NAKURU BRANCH
Mache Plaza, 2nd Floor
Geoffrey Kamau Road
Tel: 0703 099 775
nakuru@cic.co.ke

KISUMU BRANCH
Wedco Centre, Mezzanine Floor
Oginga Odinga Road
Tel: 0703 099 600
kisumu@cic.co.ke

HOMABAY BRANCH
Cold Springs Plaza, Ground Floor
Mobile: (059) 212 2998
homabay@cic.co.ke

EMBU BRANCH
Sparko Building, 3rd Floor
above Family Bank
Tel: 0703 099 900
embubranch@cic.co.ke

MERU BRANCH
Bhatt Building, 1st Floor
Ghana Street
Tel: 0703 099 930
merubranch@cic.co.ke

KAKAMEGA BRANCH
Walia's Centre, Ground Floor
Tel: (056) 203 0242,
(056) 203 0850
kakamega@cic.co.ke

ELDORET BRANCH
Co-operative Building, 1st Floor
Ronald Ngala Street
Tel: 0703 099 660
eldoret@cic.co.ke

KISII BRANCH
Lengetia Place, 2nd Floor
Kisii-Kisumu Highway
Mobile: 0703 099 700,
0703 099 701
kisii@cic.co.ke

BUNGOMA BRANCH
Simali House, 1st Floor, Moi Avenue
Tel: (055) 203 0121
bungomabranch@cic.co.ke

KERICHO BRANCH
Imarisha Building, Ground Floor
Tel: 0703 099 650
kerichobranchstaff@cic.co.ke

KILIFI BRANCH
Al Madina Plaza, 1st Floor
Mobile: 0703 099 718
kilifibranch@cic.co.ke

MOMBASA BRANCH
Furaha Plaza
Ground Floor, Nkrumah Road
Tel: 0703 099 751
mombasabranch@cic.co.ke

KITALE BRANCH
Mega Center, 1st Floor
Mobile: 0703 099 951
kitale@cic.co.ke

BOMET BRANCH
Isenya Building, 2nd Floor
Mobile: 0703 099 650
bomet@cic.co.ke

REGIONAL OFFICES

CIC SOUTH SUDAN
CIC Plaza, Plot 714B-3K-South, Kololo
Mobile: +211 0954 280 280
info@ss.cicinsurancegroup.com

CIC UGANDA
AHA Building, 2 Floor, Lourdel Rd
Mobile: +256 200 900 100
uganda@ug.cicinsurancegroup.com

CIC MALAWI
Jash Building, Colby Road
Plot No 3/487
P.O. Box 882, Lilongwe
Mobile: +265(1) 751 026
malawi@mw.cicinsurancegroup.com

CIC GROUP

CIC INSURANCE GROUP PLC

KENYA • SOUTH SUDAN • UGANDA • MALAWI
CIC Plaza, Mara Road, Upperhill 020 282 3000, 0703099120
callc@cic.co.ke www.cic.co.ke @CICGroupPLC CICGroupPLC
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