CIC GROUP

2019

CIC INSURANCE GROUP PLC

INTEGRATED FINANCIAL REPORT

OUR HISTORY

1968

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

1978

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

1999

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

2010

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

2011

We fully demerge resulting in the formation of :-

- **CIC Life Assurance Limited,**
- **CIC General Insurance Limited**
- **CIC Asset Management Limited.**

2012

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

2013

Entry into Southern Sudan and commencement of Regional Expansion.

2014	2015	2016	2017	2018	2019

2014

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

2015

Successful implementation of a unified CIC Brand.

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.

2017

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

2018

AKI Awards – Overall Winner 2018 Group Life Company of the Year

- AKI Group Life Best Practice. Fire Award
- Winner Insurance Category 2018.

2019

- Marked 50 Years of service to the people
- 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.
- 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.

OUR PHILOSOPHIES

WHO WE ARE

CIC Insurance Group is a leading Cooperative Insurer in Africa, providing insurance and related financial services in Kenya, Uganda, South Sudan and Malawi. The Group offers a wide range of products and services.

1

OUR PURPOSE (MISSION)
Enable people achieve Financial security

2

OUR VISION
To be a world class provider of insurance and other financial services

3

OUR VALUES

Integrity
- Be fair and transparent

Dynamism
- Be passionate and innovative

Performance
- Be efficient and results driven

Cooperation
- Live the cooperative spirit

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CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS	J. Magomere	– Group Chairman
	P. Nyigei	– Group Vice Chairman
	T. Gitogo	– Group CEO –Resigned 9 October 2019
	H. Githae	– Retired 22 May 2019
	G. Owuor	
	M. Wambia	
	J. M. Mutuku	
	R. Githaiga	
	M. Mungai	– Retired 22 May 2019
	P. Lopokoiyit	– Retired 22 May 2019
	J. Njue	
	J. Patel	
	J. Mbitu	– Appointed 22 May 2019

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
	S. Mutua	– Managing Director: CIC Asset Management Limited
	J. Kionga	– Ag. Managing Director: CIC Life Assurance Limited
	G. Nzivwa	– Ag. Managing Director: CIC General Insurance Limited
	J. Omare	– Managing Director: CIC Africa (Uganda) 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
	P. Oyugi	– General Manager Human Resource & Administration
	M. Luvai	– Group Chief Internal Auditor
	S. Robi	– Group Risk and Compliance Manager
	H. Malmqvist	– Group Chief Information Officer
	J. Kamiri	– General Manager Business Initiatives Execution & Customer Experience
	R. Nyakenogo	– General Manager Co-operatives
	M. Kabiru	– General Manager Finance and Investments
	H. Njerenga	– General Manager Branch Distribution
	S. Ndegwa	– Actuarial Manager
	M. Mugo	– General Manager Nairobi Metropolis
	M. Kang'e	– General Manager Medical
	M. Wanga	– Company Secretary
	D. Ireri	– General Manager Operations

AUDITORS

Ernst & Young LLP
Certified Public Accountants
Kenya Re Towers, Upper Hill
Off Ragati Road
P.O. Box 44286 - 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 2019

The directors submit their report together with the audited financial statements for the year ended 31 December 2019.

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 and fund management. The Group also invests in equities, government securities, properties and loans.

4. RECOMMENDED DIVIDEND
The directors do not recommend dividend in 2019, in 2018 recommended dividends represented 13% of paid up capital.

5. GROUP RESULTS

	2019 KShs'000	2018 Restated KShs'000
Profit before taxation	385,589	645,307
Taxation charge	(63,998)	(164,364)
Profit for the year	**321,591**	**480,943**

6. BUSINESS REVIEW

The year 2019 presented a complex business, regulatory and economic environment that influenced strategies employed by the group across its operations. Economic growth averaged 5.4% for the three quarters to September 2019 compared to a 6.0% average for the three quarters to September 2018. Consequently, suppressed growth was experienced across most sectors. For instance, agricultural activities decelerated due to unfavourable weather conditions thus lowering food output, which also dampened agro-processing. Industrial activity similarly dropped especially in construction-linked sectors such as cement production and consumption.

Interest rates remained stable throughout the year with minimal volatility at certain instances where liquidity distortion was witnessed. Short-term rates remained single digit and hence investors sought enhanced yields in the commercial papers which offered slightly more attractive double digit returns. A nascent recovery in private sector is highly likely given the potentially catalytic effect of the twin stimulus- rate cap repeal and a reduction in the CBR to 8.5% in November 2019.

The cost of living measure increased to average 5.2% in 2019 from 4.7% in 2018; with food prices being impacted the most. Transport costs temporarily rose in Quarter 4 2019 due to a hike in public transport fares during the festive season. Heavy rains in Quarter 4 2019 caused destruction in some areas affecting food production hence an increase in food prices.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

6. BUSINESS REVIEW (continued)

The currency gained 0.5% versus the USD in 2019 supported by resilient diaspora inflows, strong services receipts and slower growth of imports. The country's forex reserves stood at USD 8.76 billion at the end of the year; equivalent to 5.4 months of import cover. The current account deficit narrowed to 4.2% of GDP and that aligns well for the stability of the currency.

There was a mixed performance in equities as NASI gained 18.5% and NSE-20 lost 6.33 in 2019. This was mainly attributable to foreign investor outflows that hit frontier markets due to weaker earnings growth surrounded by elevated public debt sustainability concerns. Towards the end of 2019, investors' tone changed after the repeal of the rate cap law and they gradually bid up stocks, particularly the banks. Despite growth in the economy the property market continued to stagnate over the period.

For the Group's regional businesses in Uganda, South Sudan and Malawi, the Ugandan economy grew by 6.4% year on year in the Q2 of FY18/19, continuing with the same momentum from the last quarter of FY17/18. This was a major improvement from the 4.5% growth that was realized in the Q1 of FY17/18. In South Sudan, the country's economy improved greatly in 2019 after years of contraction. This was due in part to the September 2018 peace deal, which bolstered economic growth. That notwithstanding, the disruption in oil production in 2013 has hindered the country's fiscal budget. Malawi's economic growth on the other hand was projected to reach 4.4% in 2019, increasing over the medium term to 5.0 - 5.5%. Growth in 2019 was buoyed by a good harvest despite the impact of Cyclone Idai.

Financial performance

The group's gross written premiums grew by 7% from KShs.16.6 B in 2018 to KShs.17.7 B in 2019.
The net results as shown by the Group's profit before tax was KShs 386 million a decline from KShs 645 million in 2018. This was mainly due to higher year-on-year growth in claims expenses and a flat growth in net earned premiums. The Group's total assets grew to KShs 35.3 billion from 33 billion in 2018.

Covid-19

The outbreak of the Coronavirus pandemic (COVID-19) has stricken communities across the globe. The virus' rapid geographical spread has caught the world off-guard, with major implications for personal health, business continuity and the world economic order. Globally, integrated supply chain models have been disrupted, threatening a financial slow-down. Management assessed that continued spread of the virus is likely to affect the life business through increased claims in case of mortality from the pandemic, increase in defaults for insurance premiums due to slow economic growth and slump in investment income owing to dip in performance of the Nairobi Securities Exchange. For general insurance, a decline in motor class as fewer individuals are driving to and from work is expected, while a growth in employee liability and WIBA if cases of contracting the disease while at work can be proven. Other classes will not be directly impacted in the meantime. Claims ratios except for medical class are expected to remain largely the same.

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 2019

6. *BUSINESS REVIEW (continued)*

As the country is still in the early stages of the outbreak, an estimate of the expected financial effect cannot be reliably measured.

Going forward

The Group will continue to enhance the core systems in line with 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

Ernst & Young LLP, having completed their term as the external auditor of the company, the board has appointed PriceWaterhouseCoopers as the incoming Auditor in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 22.5 million has been charged to profit or loss in the year.

BY ORDER OF THE BOARD

Secretary

17th March, 2020
Nairobi, Kenya

ABOUT THIS REPORT

Purpose
The purpose of this report is to provide our stakeholders with concise communication about the Group in the context of the internal and external environment, as well as our ability to create value over the short, medium and long term.

Preparation and presentation
CIC Insurance Group 2019 integrated report has been prepared for the period 1 January 2019 to 31 December 2019 and covers the material activities of CIC Insurance Group Plc and its Subsidiary companies. EY have audited the accompanying consolidated and separate financial statements of CIC Insurance Group PLC (the Company) and its subsidiaries (together, the Group), which comprise the consolidated and separate statements of financial position as at 31 December 2019, consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Benefits
This report improves the quality of information available to stakeholders. It also promotes a more cohesive and efficient approach to corporate reporting. It enhances accountability and stewardship for the broad base of the group's capitals and pillars.

The report closes the gaps in most of today's reports which are;

- Short term focus
- Backward looking
- Compliance oriented
- Fragmented approach
- Long, complex, not holistic and;
- Focus on financial information only

OUR PHILOSOPHIES AND VALUES

Who We Are
CIC Insurance Group is a leading Cooperative Insurer in Africa, providing insurance and related financial services in Kenya, Uganda, South Sudan and Malawi. The Group offers a wide range of products and services.

Our Purpose (Mission)
Enable people achieve Financial security

Our Vision
To be a world class provider of insurance and other financial services

Our Values
All our corporate activities relating to all stakeholders will be guided by the following four core values:

- Integrity - Be fair and transparent
- Dynamism - Be passionate and innovative
- Performance - Be efficient and results driven
- Cooperation - Live the cooperative spirit

Slogan
At CIC Group Insurance, We keep our word

Our Value Preposition
Our value proposition is *"to offer simple, flexible insurance and financial services built around our customers' needs"*

OUR PRODUCTS AND SERVICES

Our operating model includes a comprehensive and fully embedded risk management process which assists us in identifying and managing risks and opportunities to deliver the Group's strategy and the other essential elements of our business model. CIC Group is licensed to trade in all insurance product lines except Aviation. CIC Group was awarded the 2018 Group Life Company of the Year Award. In 2018 the Group also received the Winner's trophy for the FIRE Awards, Insurance category.

GENERAL BUSINESS PRODUCTS

1. FIRE INDUSTRIAL

This policy covers the risks of fire, lightning and explosion as a result of bursting of gas cylinders. The policy can be enhanced to cover additional perils such as earthquake, malicious damage, floods, riots and strike, bush fire and similar perils.

2. DOMESTIC PACKAGE

This is an attractive comprehensive package for homeowners and occupiers which provides policy holders the benefit of six policies in a single package. It covers buildings, household contents, moveable and personal items, domestic servants, owner's liability and occupier's liability.

3. CONSEQUENTIAL LOSS

The policy covers loss of profits as a result of fire.

4. BURGLARY

This policy covers loss or damage following the actual forcible and violent breaking into or out of the premises or any attempted threat.

5. ALL RISKS

This policy covers loss or damage (except as excluded in the policy) to specified items of personal or delicate nature. It includes items such as watches, cameras, computers, calculators, microscopes, typewriters, medical equipment, video cameras, jewellery, television sets, radios, iPods, iPads and mobile phones.

6. GOODS IN TRANSIT RISKS

This policy covers loss of or damage to goods while in transit either by rail or road.

7. MARINE

This policy provides cover for goods while in transit either by sea or air up to the warehouse.

8. PROFESSIONAL INDEMNITY

This policy covers professionals against third party claims in case of negligence in the course of their professional duties.

9. MOTOR INSURANCE

This policy covers risks ranging from Third Party Risks to comprehensive risks. It provides cover:

- For loss or damage to the motor vehicle as a result of fire, accident or theft.
- Against legal liabilities to third parties arising from loss or damage to property as well as third party injuries or death.

10. MACHINERY BREAKDOWN

This policy covers all types of machinery plants, mechanical equipment and apparatus for faulty design and operation tearing due to centrifugal force.

11. MACHINERY BREAKDOWN CONSEQUENTIAL LOSS

This policy covers actual loss of profits sustained as a result of business interruption caused by machinery breakdown.

12. ELECTRONIC EQUIPMENT

The policy covers material damage for many types of low and medium power electrical plants for both material damage and loss of information suffered by external data media used in computing facilities.

CUSTOMIZED GENERAL BUSINESS PRODUCTS

In line with its values, CIC Group has continued to improve and innovate in terms of various insurance products in order to continue to cater for changing insurance needs. These are the recently customized products:

1. CIC SCHOOL GUARD INSURANCE

This is a comprehensive policy designed for academic institutions covering property, students, teaching and non-teaching staff as well as owners' liabilities.

2. CIC MOTOR COMMERCIAL PLUS

This is an enhanced policy designed for heavy commercial vehicles. It provides inter alia, a tracking device and meets loan repayments while the vehicle is under repair.

OUR PRODUCTS AND SERVICES *(continued)*

3. CIC BIASHARA SALAMA INSURANCE

This policy caters for persons unable to secure insurance from the conventional insurance market. It covers fire and burglary for small and medium enterprises ("SMEs") and micro-finance institutions.

4. CIC COMBINED INSURANCE

This policy combines the various risks that businesses are exposed to under the following classes: Fire and Perils, Fire Consequential Loss, Burglary, All Risks, Money, Fidelity Guarantee, Group Personal Accident, WIBA, Employer's Liability Common Law and Public Liability.

5. CIC PROPERTY OWNERS INSURANCE

This is a conveniently packaged policy covering various risks faced by property owners. It covers the following range of risks: buildings against loss or damage; bodily injury by accident or disease sustained by employees in the course of employment; legal liability under common law for damages and claimant's costs related to bodily injury by accident or disease and directly related to negligence or breach of common law; and third party liabilities incurred.

6. CIC JILINDE PERSONAL ACCIDENT POLICY

This policy is a customized Personal Accident Cover for micro-enterprises that provides monetary payments in the event of bodily injury sustained by the insured.

7. CIC STUDENTS PERSONAL ACCIDENT INSURANCE

This is a Personal Accident cover for students and pupils at primary, secondary and tertiary educational institutions including students on industrial attachment.

8. CIC SCHOOL BUS INSURANCE

This a customized policy extended to school buses and other school owned vehicles.

9. CIC LADY AUTO

This is a new insurance policy tailored for ladies. Lady motorists can claim for loss of their personal effects like handbag and its contents in the event of an accident or theft of an insured motor vehicle. This cover intends to address numerous risks faced by lady motorists and their nuclear families while traveling. The features include:

- Courtesy Car for the period of repair to a maximum 24 days.
- Personal Accident Cover
- Last expense of Ksh 100,000/-
- Personal Accident Cover for Domestic Employee
- Trauma Counseling
- Handbag and Contents
- Third Party Medical Expenses
- Replacement of Lost Car Keys following partial theft
- Forced ATM Withdrawal

MEDICAL INSURANCE PRODUCTS

1. FAMILY HEALTH INSURANCE

Otherwise known as the CIC - MEDISURE Family Health Plan. This is a medical insurance policy designed to meet prevalent medical needs for nuclear families and individual persons. The cover offers all benefits, which include Inpatient, outpatient, maternity, dental and optical benefit. The policy offers a flexible, comprehensive and affordable in-patient cover for hospitalization expenses arising from both illnesses and accident.

2. CIC - MEDISURE CORPORATE IN-PATIENT COVER

CIC - MEDISURE is a corporate medical policy designed to meet prevalent medical requirements for corporate organizations with ten (10) or more employees and directors. The cover offers all benefits, which include Inpatient, outpatient, maternity, dental and optical benefit. The policy pays valid medical expenses arising from both illness and accidents, subject to the cover limit.

3. CIC MEDIPACK (SME)

Medipack is a Health Insurance solution from CIC, designed for SMEs. Medipack caters for medical expenses incurred by the insured members and their dependents for either Inpatient or Outpatient cases; Medipack also caters for Maternity, Dental & Optical expenses.

4. CIC AFYA BORA

CIC's Afya Bora product customer comes with affordable premiums, and quality health care at the hospital level courtesy of CIC's strong relationships with health providers and fast claims settlement. The cover provides in-patient and outpatient benefits for a family of up to 6 members with an in-patient cover limit of Kshs. 250,000 and outpatient limit of Kshs. 50,000. The upper age limit for parents is 70 years at entry and children are covered from 1 month old to 25 years with proof of enrollment in school or college at an affordable premium of Kshs. 32,000 per family per year.

OUR PRODUCTS AND SERVICES *(continued)*

LIFE PRODUCTS

GROUP LIFE PRODUCTS

1. MICRO-CREDIT INSURANCE

CIC offers a specialized group creditor life insurance policy customized to cover short term loan balances on reducing balance basis for small scale businesses. This policy pays off the outstanding loan balance in the event that the insured borrower dies/or is permanently disabled within the insurance period.

2. GROUP FUNERAL EXPENSES

Covers funeral limits in the event of death of an insured member who is between age 1 and 18 years (children) and 18 and 75 years for adults. Pays insured funeral benefit within 48 hours of death.

3. GROUP MORTGAGE

This product is designed for institutions offering long-term loans (mortgages) for purchase of property (houses, cars, land). This is a particular type of life assurance taken out for the term of the mortgage and designed to pay it off on the death and/or permanent disability of the borrower or joint borrower.

4. LOAN GUARD POLICY

This covers all loan balances in the event of death / total permanent disability of a group or society member who is aged between 18 and 75.

5. MEPIP

The insurance covers members of an Institution aged between 18 and 75 years old with outstanding loans against death or total permanent disability. The premium is paid once for each individual loan.

6. GROUP LIFE ASSURANCE

Credit life insurance covers death and permanent disability in the event of the death of a member of an Institution. It is a life insurance policy designed to pay off a borrower's debt if that borrower dies. The face value of a credit life insurance policy decreases proportionately with an outstanding loan amount as the loan is paid off over time until both reach zero value.

7. GROUP CREDIT LIFE

Credit life insurance covers death and permanent disability in the event of the death of a member of an Institution. It is a life insurance policy designed to pay off a borrower's debt if that borrower dies. The face value of a credit life insurance policy decreases proportionately with an outstanding loan amount as the loan is paid off over time until both reach zero value.

INDIVIDUAL LIFE PRODUCTS

1. CIC ACADEMIA POLICY

CIC Academia plan is a combination of insurance protection and savings that allows the insured to prepare for the cost of their child's education. It is a suitable endowment policy for education of children at any age. The policy term can vary from 9 to 18 years.

2. CIC INVEST PLAN POLICY

CIC Invest Plan Policy is a life savings policy that helps the insured to plan finances and avails money in Installments at selected periods in the future. This will enable the insured to finance projects of choice in accordance with the time plan. The policy term can vary from 12 to 24 years.

3. SMART SAVER POLICY

This is a flexible savings plan that allows one to accomplish their financial dreams and desires. Smart Saver policy is a savings cum protection product that provides a defined sum assured at either maturity of the policy or death of the policyholder. It is structured to suit your specific needs and risk profile for a continuous period with a term ranging from 8 to 25 years.

4. THE BOARD MEMBERS INSURANCE PLAN

The Board Members Insurance Plan is an investment plan that pays cash benefits to a Board Member when the member leaves the Board through retirement or non re-election. The benefits are; Final Maturity Benefit and non-reelection benefit whose term of the policy is 12 years.

5. FAMILY LIFE PLAN

The policy provides a shared life cover that pays on the first death of any declared family member. The policy runs for a term of 5 years, premiums are payable annually or as a single premium. The product provides cover for funeral expenses to declared family. The product covers self, spouse, four children below the age of 18 years and a total of two parents be they parents or parents-in-law

6. HABA HABA NA CIC

HABA HABA NA CIC gives you a great opportunity to

OUR PRODUCTS AND SERVICES *(continued)*

save at the convenience of your mobile phone and earn an attractive interest on the savings with an embedded life cover of Kes 20,000. The policy runs for a minimum term of 5 years. The plan enables one to build finances from as low as 600.

7. CIC AKIBA SMART

CIC AKIBA SMART serves as an investment and risk protection Plan.

This product offers policy holders a life-cover of up to a maximum of KES 200,000 as well as return on the accumulated savings.

The policy runs for a minimum term of 5 years. The plan enables one to build finances from Kes 3,500.

The policy addresses the need of individuals who are looking for products that offer:

- Flexibility in premium contributions frequency and amount;
- No lapse on life cover;
- Covers pre-existing conditions; and
- Guaranteed interest return of 5%.

CUSTOMIZED LIFE SOLUTIONS

1. CIC DIASPORA

The world has become a global village where one is hardly ever fully un-tethered from their home. We at CIC Insurance Group fully understand this attachment and have gone further to develop insurance and pension products specifically tailored to meet the needs of Kenyans living in the Diaspora. We have simple and clear. Diaspora products and our paperless transactions make us efficient so that you can do business with us online within minutes.

2. CIC M-BIMA

M-Bima is an online insurance platform accessible over the web or as a mobile application. This enables self-service to the clients and intermediaries.

INDIVIDUAL AND GROUP PENSION PRODUCTS

1. CIC JIPANGE PENSION PLAN

This is a pension plan for individuals who wish to diversify their saving options and also for those organizations that wish to set up a staff pension scheme for their employees without going through the hassles of registering a brand new pension scheme.

2. CIC UMBRELLA RETIREMENT BENEFITS SCHEME

Is a multi-employer retirement benefit scheme open to groups (employers) who come together in a pool by making contributions into the scheme. The scheme provides for each employer to choose the level and type of benefits the employee shall enjoy at retirement. The Scheme is also NSSF ACT 2013 Tier II - contributions compliant.

3. GUARANTEED FUND INVESTMENT - OCCUPATIONAL SCHEMES

Duly registered occupational schemes can also take advantage of the competitive rates of return that are always above market average that is offered by our guaranteed fund.

4. CIC ANNUITY PLAN

The product addresses the financial planning needs of people in or approaching retirement by converting a lump sum of at least 400,000 into periodic payments (monthly, quarterly, semi-annually and annually) with an aim to secure guaranteed income for life. Annuities provide a form of protection against the risk or outliving one's assets by guaranteeing income payments. CIC Annuity plan is an immediate annuity with joint and single life options with the maximum guarantee period of 20 years.

CICAM PRODUCTS

CIC ASSET MANAGEMENT (CICAM) CICAM, as a licensed fund manager, is mandated to provide investment advisory and fund management services to individuals, "chamas", SACCO's, SME's and any other legal entity. We manage:

1. UNIT TRUSTS

We offer a simple range of unit trust funds where anyone can invest from as little as KShs. 5,000 Unit trusts allow you the flexibility to access your money at any time, these are:

a). MONEY MARKET FUND

This Fund is ideal for risk averse investors who are seeking capital preservation whilst not seeking long-term capital growth; and a short-term parking bay for surplus funds particularly in times of market volatility.

b). EQUITY FUND

This fund is for investors who are seeking long-term capital growth from a well-diversified portfolio; typically have an investment horizon of more than four years; and are comfortable with taking on some risk of market and potential capital loss.

OUR PRODUCTS AND SERVICES *(continued)*

c). BALANCED FUND
This fund is for investors who are typically ready to invest over the medium to long-term; hold large cash balances but need extra returns at moderate risk; and seek to benefit from a well-diversified portfolio of market instruments.

d). FIXED INCOME FUND
This fund is for investors who are typically ready to invest over the medium-to-long term; hold large cash balances but need extra returns at moderate risk; and seek a reasonable return from a well-diversified portfolio of fixed income securities.

e). Wealth Fund
This fund is for investors seeking to invest over a period of six months to a maximum of one year at fixed rates and seeking moderate growth on capital invested but at the same time looking at some level of capital preservation

2. CICAM INCOME DRAWDOWN FUND
The CICAM Income Draw down Plan is an investment product that allows one to re-invest their retirement savings. It runs for a minimum of 10 years and one can choose to accept any amount up to a maximum of 15% of the fund balance per annum.

3. SEGREGATED PENSION FUND MANAGEMENT
This product is targeted to registered retirement schemes that are large enough to enable, on their own, Investment diversification and negotiation of favourable investment terms. In this product, a custodian appointed by the client holds each client's funds separately and funds are managed independently from other retirement benefit schemes and in line with the objectives set out for the fund.

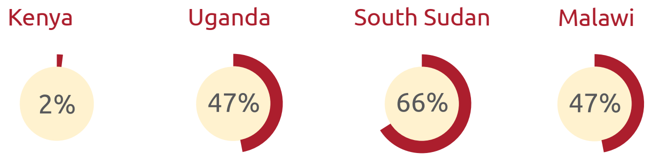
4. CICAM SEGREGATED UMBRELLA FUND
The CICAM segregated Umbrella fund is a product designed to focus on small to medium enterprises (SME's) as well as larger Organizations willing to set up segregated retirement benefits scheme but do not wish to be entangled in legal, administrative and statutory liabilities applicable to segregated schemes.

The CICAM Umbrella gives these organizations an opportunity to pool together into one scheme, with each organization having a flexibility to design their Trust rules like any occupational scheme while having shared service providers and governed by one Trust Deed.

OUR DISTRIBUTION

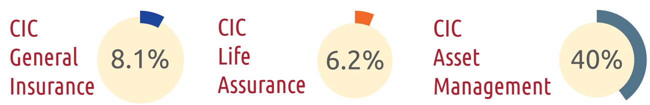
The group has footprint across the country & region through the branch networks, brokers & independent agents and tied financial advisors. We endeavor to bring our products and services closer to our clients through our branch network all over the country and our regional offices in South Sudan, Uganda and Malawi. We have a head office at Upper hill, Nairobi and 27 branches situated in various parts of the country. We have also partnered with various intermediaries who are very instrumental in our process of making the products available to our clients. We have also entered into various strategic business partnerships including; The Cooperative Movement, banks and the intermediaries so that our products reach and serve every household in Kenya.

CIC Group operating entities - Premium growth



CIC Group Kenya entities - Market share

Kenya



Entity/Market share

Uganda

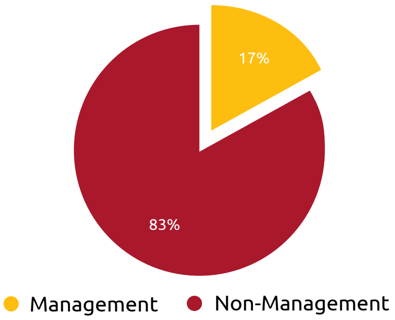
Malawi

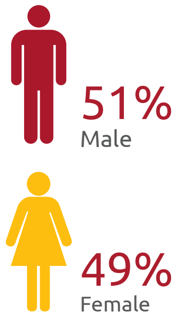
OUR VALUE CREATION

FINANCIAL CAPITAL AND ASSETS

CIC Group is funded by investors, institutions, co-operatives and individuals. The funds are used to run corporate activities of the Group and generate returns for our shareholders. The company creates value for shareholders by efficiently managing the financial resources and assets.

HUMAN CAPITAL AND LEADERSHIP





Our people are our greatest asset. They are the brand and the drivers of our strategy. We have invested in our staff through education and training as a performance enhancement strategy, equipping them with knowledge and skills to position the company. Our corporate culture reflected through our values of integrity, dynamism, performance and cooperation is our way of life and a key differentiator that has made customers believe in us for 51 years.

The company is driven by a robust management team who lead the organisation to achieve its strategic objectives. Sound management and governance continue to be key pillars in CIC's growth and stability.

- Staff Head Count: 563
- Permanent employees: 529
- Short-term employees: 34

INTELLECTUAL CAPITAL AND VALUE PROPOSITION

Our intellectual assets of brand value and reputation, innovative products and innovation capacity play a major role in growing the business. Our brand reputation and innovation capacity differentiates us from other competitors in the market. The company has a strong brand presence in the country with multiple distribution channels established to provide its products and services. We have designed our products to meet the needs of the customer, offering a unique value proposition to the client. We have built a strong trusted brand and continue to leverage on our strengths to grow our profits and market share.

MANUFACTURED CAPITAL AND TECHNOLOGY

Our structure, operations including processes, provide the mechanisms through which we run the business including information technology software, systems and structures.

OUR STAKEHOLDERS AND PARTNERS

Our stakeholders are diverse and they include individuals, groups of individuals, valued investors, Co-operative societies, employees, customers, regulators, government, suppliers, the media, civil society and communities that we interact with including the diaspora.

These stakeholders also include organisations in the cooperative sector among them the NACOS (National Cooperative Organisations), CAK (Cooperative Alliance of Kenya), ICA (International Cooperative Alliance), and ICMIF (International Cooperative and Mutual Insurance Federation).

NACOS are national cooperative organisations mandated to offer specialised service to the cooperative movement. CIC Insurance Group offers insurance service to cooperatives..

CAK is the apex cooperative body in Kenya in which CIC Insurance Group is an affiliate. As a member, CIC contributes to the national development of cooperatives, which includes advocacy.

ICA is the world umbrella body for cooperatives in which our National Chairman serves as the Vice President of the body. As a member CIC plays a critical role in promoting the interests of cooperatives in Africa and the world.

ICMIF CIC Insurance group jointly entered into a partnership with International Co-operative Mutual Insurance Federation (ICMIF) to formulate evidence based country strategy for developing inclusive mutual insurance in Kenya. ICMIF aims to help Mutual Micro insurance reach scale in emerging markets in order to positively impact the lives of millions of low-income households. ICMIF is a Global organisation with 225 members in 70 countries writing over USD 270B in premiums.

OUR STAKEHOLDERS AND PARTNERS *(continued)*

555 PROJECT
CIC Kenya is a member of ICMIF and was selected to represent the African continent in the 555 project. CIC has 3 Partners involved in the project - P&V (Belgium), Thrivent Financial (USA), We Effect (Sweden and Kenya). The Kenya project began with studies, which involved in-depth insights into the inclusive mutual insurance environment with a view of identifying the gaps that would lead to scale up of insurance among low-income households. This resulted to an evidence based strategy for dairy insurance as the anchor product for smallholder farmers in Kenya.

ROLE OF THE PARTNERS
Through ICMIF's foundation, CIC is benefiting from Technical and Financial support on the 555 Kenya Strategy. P&V Belgium gave CIC immense support during the strategy design which saw CIC develop a 5 year Business Plan. Thrivent Financial were critical at the implementation stages of the project which kicked off in August 2018. WeEffect have helped CIC in developing a training module for farmers while all the 3 partners have peldged financial support for the farmer training and marketing related costs. The development partners are not benefiting materially on this project other than seeing CIC increase its Insurance penetration in a sustainable and mutually benefical manner to its policyholders.

OUR SUSTAINABILITY

CIC staff have knowledge of the common business practices and to uphold the Company's values. The company will conduct business according to the highest ethical and legal standards and employees will be expected to adhere to basic ethical principles. The expected conduct is governed by truthfulness, openness to new ideas, and consideration for the individual rights of others, including the right to hold and express opinions different from one's own.

OUR MATERIAL ISSUES

SOLVENCY
CIC General solvency ratio was 86% with an Industry solvency ratio of 114%.CIC Life Assurance had a solvency margin of 112% which is above the industry solvency ratio of 100% The Global Credit Rating results for the General insurance business national scale claims paying ability rating was A-(KE), with a Stable Outlook. The rating for CIC Life assurance national scale claims paying ability rating was A+(KE), with a Stable Outlook.

RETENTION RATIO
CIC General Insurance retention ratio was 86 % as at 31st December 2019. The high retention has a direct impact on the solvency as there is strain on available capital to cover the high insurance risk retained. CIC's Life Assurance retention ratio closed at 84%. The retention ratio is lower than the industry ratio of 94% due to LG (loan guard) business where the company cedes 50% of the premium underwritten.

CORPORATE BOND AND LOANS
The Group successfully repaid the 5-year Corporate bond in 2019 on the maturity date. CIC Insurance Group had listed a corporate bond on 8 October 2014 at the NSE. The bond was oversubscribed by 111% and the management took a decision to uptake KShs 5 Billion. The coupon rate was 13% payable in arrears in half year installments. At the end of the year, the company had an outstanding loan balance of KShs 3.6 billion Co-operative Bank of Kenya Limited.

IFRS 9
The expected credit losses on financial assets carried at amortised cost are determined under application of IFRS 9 - Financial Instruments. The Group's financial assets at amortised cost include; amounts due from related parties, loan receivables, Government securities, deposits with financial institutions, commercial papers, corporate bonds, other receivables and cash and bank balances. The impairment of these financial assets is a material issue because of the process and judgement involved in determining the expected credit losses as disclosed in the financial statements.

PROPERTY DISPOSAL
CIC Insurance Group has invited offers for disposal of these properties subject to all regulatory approvals, ie;

1. Isinya Land; Kajiado/Kisaju/8704-192 acres
2. Kajiado Land; Kajiado/Dala Lekutuk/1403 & 1405-200 acres
3. Kajiado Land; Kajiado/Dala Lekutuk/6740-120 acres
4. Kamiti/Kiambu LR No. 28800/6-200 acres.

OUR MATERIAL ISSUES *(continued)*

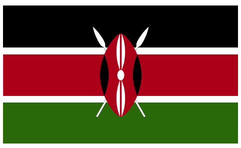
These prime properties are strategically located around potential zones for development in Kajiado and Kiambu Counties, with direct access to roads and all amenities on site.

Covid-19

The outbreak of the Coronavirus Disease 2019 (COVID-19) has stricken communities across the globe. The virus' rapid geographical spread has caught the world off-guard, with major implications for personal health, business continuity and the world economic order. Globally, integrated supply chain models have been disrupted, threatening a financial slow-down. Management assessed that continued spread of the Virus is likely to increase claims in case of mortality from the pandemic, increase in defaults for insurance premiums due to slow economic growth and slump in investment income owing to dip in performance of the Nairobi Securities Exchange. Management has put in place measures to ensure minimal business interruption during this period and due to the early stage of the outbreak in Kenya, an estimate of the financial effect cannot be made reliably.

OUR OPERATING ENVIRONMENT

KENYA



Macro-economic Indicators

GDP

Leading economic indicators suggest a softer economic growth in 2019. Growth averaged 5.4% in 2019 compared to a 6.3% average in 2018. There was suppressed growth across most sectors; agricultural activities decelerated due to drier weather conditions thus lower food output, which also dampened agro-processing.

Industrial activity also moderated especially in construction-linked sectors notably cement production and consumption. This partly reflects spillovers from lackluster public spending and slower on boarding of new projects by the Treasury.

The IMF revised the 2020 Kenyan GDP prospects to a 1% base case amid the spread of the covid-19 pandemic. The actual effect will however depend on how long we take to contain the pandemic and go back to normal. The most affected sectors include tourism & leisure, aviation & maritime as well as transport while the expected potential gainers in the short-term will be e-commerce, ICT, food processing, retail, and medical supplies. We believe that with good rainfall, the agricultural sector could cushion the economy against the expected severe losses.

Interest Rates

The 91-day T-bill closed the 3rd quarter of 2019 at 6.31%, the 182-day at 7.175% and the 364-day at 9.777%. After the repeal of the rate cap in October 2019 the short-term rates increased by 89bps, 98bps and 3.8bps for the 91, 182 and 364-day papers respectively and closed the quarter at 7.2%, 8.15% and 9.815%.

The yield curve also went up, a higher increase was experienced on the 1-13Yr papers with an average increase of 59 bps, the 14 and 15 year papers remained sticky while the 16 year to the long end increased slightly by average of 11 bps.

Given the government pressure to fund its domestic debt budget in the second half of the financial year, expected liquidity reduction as banks channel funds to the private sector, we expect the interest rates to continue the upward trend especially in the short end.

Inflation Rates

Inflation averaged 5.44% in the 4th quarter of 2019 compared to 5.03% in the 3rd quarter of 2019 contributed by slightly higher food prices and transport costs that rose in Q4'19 due to a hike in public transport fare during the festive season. During the year, inflation averaged 5.2% compared to 4.7% in 2018.

Heavy rains in Q4'19 caused destruction in some areas, locust infestation in early 2020 could also affect food production hence an increase in food prices. An escalation of geo-political tensions in the Middle East could also pose a risk to oil prices. We

OUR OPERATING ENVIRONMENT *(continued)*

therefore expect inflation levels to be remain above 5% in 2020 but still within the CBK upper band target of 7.5%.

Currency

The currency gained 0.5% versus the USD in 2019 supported by resilient diaspora inflows, strong services receipts and slower growth of imports. The country's forex reserves stood at USD 8.76 billion at the end of the year; equivalent to 5.4 months of import cover. The current account deficit narrowed to 4.2% of GDP and that bodes well for the stability of the currency. Barring any uncertainty in the global financial markets, we expect currency stability to persist and an additional buffer could exist should we manage to secure IMF's USD 1.5Bn standby pre-cautionary facility in the course of 2020.

Equity Market

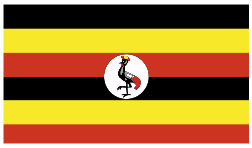
The equities market exhibited mixed performance with the NASI gaining 18.5% and NSE-20 losing 6.33% in 2019. This was mainly attributable to foreign investor outflows that hit frontier markets due to weaker earnings growth amid elevated public debt sustainability concerns. Towards the end of 2019, investors tone changed after the repeal of the rate cap law and they gradually bid up stocks; particularly the banks.

Outlook for the market in 2020 remains skewed to a few counters mainly banks and Safaricom, which are expected to further grow earnings. Most of the sectors remain in the red with companies still exhibiting weaker earnings hence unattractive to investors.

Property Market

The commercial office space remains oversupplied with low uptake; the labour market has deteriorated due to a sluggish economy. Land prices in Kiambu witnessed a 0.9% gain in Q4'19; with Athi River prices rising by 1.3%. Well developed areas such as Upper Hill are now correcting with their current potential levels now reached. Areas with ample land supply are delivering land price growth within Nairobi e.g. Karen, Runda, Lavington but rates are subdued. There is a similar oversupply of residential high density units with demand cooled-off forcing developers to demand lower rents in an attempt to attract uptake.

UGANDA



Macro-economic Indicators

According to Uganda Bureau of Statistics' (UBOS) latest data, the economy grew by 6.4% year on year in the Q2 of FY18/19, continuing with the same momentum from the last quarter of FY17/18. This was a major improvement from the 4.5% growth that was realized in the Q1 of FY17/18. The Government is now projecting the economy to grow by 6.2% in the FY2018/19. This prediction is contained in the National Budget Framework Paper 2019/20 (BFP) published by the Ministry of Finance in December 2018.

SOUTH SUDAN

Macro-economic Indicators

The country's economy improved greatly in 2019 after years of contraction. This is due in part, to the September 2018 peace deal, which has bolstered economic growth. The disruption in oil production in 2013 had hindered the country's fiscal budget, however, the International Monetary Fund predicts that South Sudan's gross domestic product is expected to increase by 8.1 percent in 2019/20 and 6.6 percent in 2020/2021 from 3.8 percent contraction in 2018/19. (Data from African Development bank on South Sudan 2019 economic outlook)

MALAWI

Macro-economic Indicators

In 2019, Malawi's economic growth was projected to reach 4.4%, increasing over the medium term to 5.0 - 5.5%. Growth in 2019 is buoyed by a good harvest overall, despite the impact Cyclone Idai. Solid agricultural growth is likely to support agro-processing and households' disposable incomes, which should, in turn, drive the service sector.

HOW WE MANAGE OUR RISKS

Introduction
CIC Insurance Group PLC is a financial service provider that operates in a changing risk environment in terms of regulations, operating environment, technology and Industry competition.

The Company's risk management framework is premised on the enterprise wide risk management approach. The objective is not to eliminate risk, but to manage risk in all CIC Group's activities in order to maximize opportunities and minimize adverse consequences.

The Company has therefore established a top-down approach to risk management, with the Board of Directors taking overall responsibility in managing risk; the aim is to manage risk so as to ensure the Company is able to deliver on its overall objective.

Risk Management Governance Framework
CIC Group risk management governance structure is as indicated hereunder;

Board of Directors	The board is responsible for determing the nature and the extent of the significant risks the company is willing to take to achieve its strategic objectives
Audit and Risk Committee	Reviews risk management initiatives including; company key risk exposures, mitigating controls and compliance with regulations and processes
Senior Management	The risk owners who are responsible for allocating resources for risk management, making risk and business priority and alignment of risk management strategy to the overall company strategy
Risk and Compliance	Coordinating the risk management throughout the whole company liaising with all the stakeholders
Internal Audit	Providing assurance of the adequacy of the risk management process

HOW WE MANAGE OUR RISKS *(continued)*

Key Principles for Managing Risks

There exists an alignment between the objectives, risks and controls at all levels within CIC Group:

- Between strategies, operational objectives and individual job accountabilities;
- Between the risks being taken and the CIC's appetite and tolerance for risk;
- Between the control and the desired level of investment in implementing such control.

Given the fast and continuous change in today's business environment, CIC Group's competitive advantage is dependent on the rapid deployment of new strategies, whilst remaining focused on existing strategies. CIC Group has therefore streamlined the actions of all staff, individually and collectively, towards achieving its business objectives.

This entails the alignment of the objectives, risks and controls throughout the enterprise; this encompasses the respective business processes and operational activities undertaken by all levels of staff.

The diagram below depicts how this alignment has been achieved;

Our Principal Risks and Mitigation Plan

Risk	Description	Risk Management Approach
Operational Risk	This is the risk related to the operating units of the Group; it relates to the on boarding of business, either insurance or investment, the human resource aspect, internal controls and processes.	CIC Group manages operational risk from an enterprise wide perspective, which enables us to strengthen the controls and processes within our operations
Insurance Risk	This is the risk the Company is exposed to under insurance contracts, which carry a possibility that the insured event occurs and the uncertainty of the amount resulting from the event.	CIC Group has developed internal processes in line with regulations and supported by applied quantitative data, to guide the underwriting process. We have invested in qualified manpower to ensure best practice in insurance business from underwriting to claims.
Regulatory Risk	The regulatory environment within which the Company operates is complex; The ever increasing and changing regulatory requirement the Group faces from its Kenyan and regional operations is a key source of risk.	CIC Group has built a compliance culture which is monitored through a well-established compliance model. We have also endeavored to build a constructive, responsive and open relationship with our regulators and other industry stakeholders.
Balance Sheet and Market Risk	The exposure to this risk is through the Company's financial assets and liabilities, reinsurance assets and insurance liabilities. The risk is that the proceeds from the Company's financial assets are not sufficient to fund our obligations.	CIC Group manages this risk mainly through Asset Liability Matching Framework that has been developed to match assets arising from insurance liability to investment contracts in terms of duration and returns

HOW WE MANAGE OUR RISKS *(continued)*

Risk	Description	Risk Management Approach
Credit Risk	This is a risk that a counter party will be unable to pay amounts in full when due. These may arise out of Insurance / reinsurance contracts, cash at bank, corporate bonds, deposits at bank and provisions based on implementation of IFRS 9.	CIC Group has enhanced its credit management framework, which enables the Company to limit its overall risk exposure to any single counter party.
Cyber Risk	An external, cyber-attack or insider threat could result in service interruption, breach of confidentiality and loss of client transaction and investment data. This would have a negative impact of our revenues, customers, reputation and leave us vulnerable to fraud.	CIC Group has strengthened its ICT environment and is investing in better systems and data protection add-ons to ensure our operating environment is hardened against any attacks. The Company also ensures that it has a robust BCP and has contracted a state-of-the-art DRP center to ensure that it is able to recover data in case of loss of the primary data site.
Contagion and Related Party Risk	CIC Group operates as a financial conglomerate; made up of separate operating units in Kenya and other jurisdictions; this poses a risks that any one of the operating units can pose are risk to the whole Group or other members of the Group.=	CIC Group has established a strong control and compliance culture that ensures that all the operating units are governed by best practice. The Company strictly adheres to Country's laws and industry regulations as well as observing international best practice in jurisdictions with lax regulations.
Strategic Risk	CIC Group strategy guides the Company's business approach. As a financial services provider, the Company is constantly exposed to risks that adversely affect the achievement and attainment of its goals.	CIC Group has enforced strategic visibility, accountability and monitoring which enables the Company to be agile in addressing the strategic risk exposure and ensuring it stays on course.

Whistle Blower Policy

CIC Group has a well-established Whistle Blower Policy which provides a platform for stakeholders (customers, staff, agents, brokers and suppliers) to raise concerns regarding any suspected wrongdoing. The whistle blower platform is managed by an independent Ombudsman to ensure anonymity.

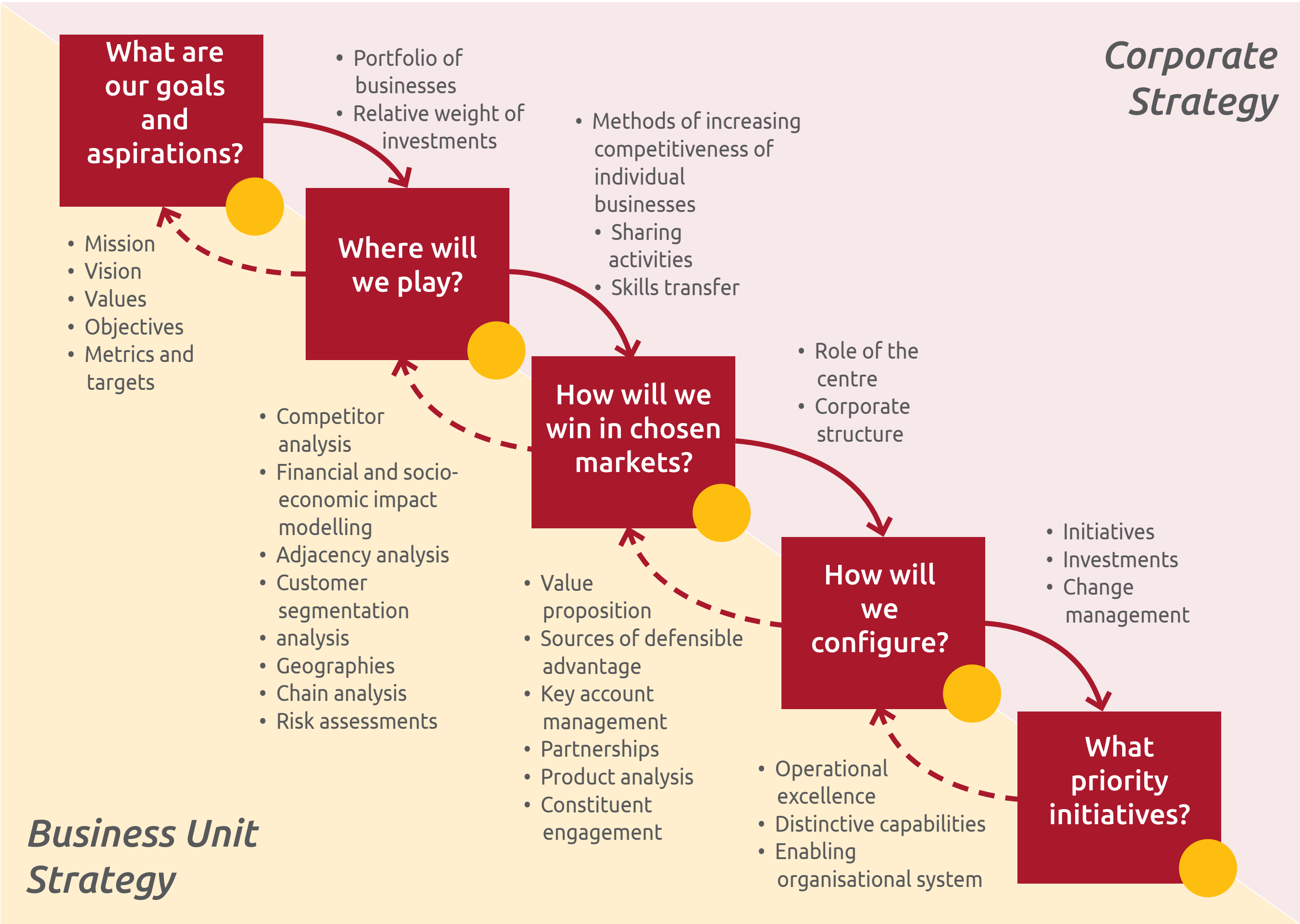
The Policy has been designed to entrench risk escalation to the Board and ensuring that all reports are followed to conclusion.

This Policy is enforced by the Code of Conduct and Anti-Fraud Policy to which every staff member must attest.

STRATEGIC PLANNING PROCESS

Our Strategic Focus

The strategic planning process was done by adopting the cascading choices decision making framework to guide the 2017 - 2021 strategic review and development process.



CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

CIC Foundation gives education scholarships to needy students in Kenya

As a company we live by our core values of Dynamism, Integrity, Performance and Cooperation. Being a cooperative organisation raises the level of responsibility to those around us. We endeavor to be responsive to societal needs, taking initiatives within our ability that impact our society. In this spirit CIC Foundation offered high school scholarships to 87 needy students drawn from different regions in the country. The scholarship program is driven by the foundation's objective to empower the youth of this country into becoming responsible citizens who will help their communities progress towards sustainable development. The scholarship program has been running for four years. CIC Foundation is guided by two pillars, to promote education opportunities for needy students and environmental conservation.

Loving differently: Touching lives at Chemi Chemi Primary School in Kibra

CIC employees reached out to Chemi Chemi Primary School in Nairobi's Kibra subcounty. An early school visit revealed that many of the pupils struggled through their learning as they lacked the proper school wear. It was clear that having the required school uniform was a luxury to majority of the children. CIC staff members raised funds to buy the needy pupils cardigans, foodstuff and sanitary pads all which brought smiles to their faces. The visit also included inspirational talks on subjects related to challenges they faced. Some of the topics were peer influence, self worth, and success factors beyond physical limitations. The visit had evident results with the pupils and teaching fraternity expressing a renewed sense of hope. This was the 6th year that CIC staff were celebrating Valentine's day differently by reaching out to the vulnerable in society.

A pupil receives donations from CIC presented by our HR Business Partner Elizabeth Njuguna

Some of the Chemi Chemi pupils in celebration at the school ground

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

CIC Sponsors AKI Medical Camp at Isinya

Access to quality healthcare is crucial in every society. However the reality is that many Kenyans are struggling to gain access to medical care due to challenges arising from poverty and unemployment. Insurance is a critical compent in healthcare and as providers we recognise that there is a proportion of our population unable to afford medical insurance and quality healthcare as a result of existing socio-economic factors. In support of the government's big four agenda on affordable healthcare, CIC Insurance Group under its member body Association of Kenya Insurers (AKI) sponsored a medical camp in Isinya.

The medical camp brought together residents in the area who received treatment of common ailments. Some of the health services offered to the over 2000 people that attended the camp are screening for non-communicable lifestyle diseases, cancer screening, foot care and wounds treatment, dental extractions and fillings, eye treatment, cataract surgeries, VCT services, nutrition assessment and health education. This was the 9th year that the medical camp was being held in collaboration with Diabetes Management and Information Centre (DMI). CIC has been a key sponsor of the initiative since its inception.

A CIC staff attends to one of the residents at the medical camp

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

Cooperating to build a better world: Ushirika

Cooperatives accross the globe share a common bond as described by the values and principles that define who we are and why we do what we do. Every year, cooperatives around the world celebrate their existence through impact oriented initiatives. In an effort to address some of the global problems and build a better future, cooperatives have made a commitment to contribute towards the achievement of the UN Sustainable Development Goals (SDGs). In support of this cooperative members have held initiatives in their home countries.

In the year under review cooperative celebrations in Kenya commonly referred to as Ushirika had a series of social responsibility activities, which were a road race, blood donation initiative, and a tree planting exercise. CIC Insurance Group is a national cooperative which positions the company as a leading cooperative organisation in Kenya. CIC led by example participating in all the activities.

As cooperatives we held a road race for the first time in Kenya to raise funds for needy bright students in line with UN 2030 agenda of sustainable development themed 'Leave No One Behind'. This initiative was aimed at supporting access to education to those who could not afford it. Education continues to be a critical component for development and it requires a unified approach to change our country's future. It was a unique and fulfilling task which we fully embraced, as it complemented what we stand for as an organisation.

CIC Group Chairman Japheth Magomere (right) addresses participants at the Ushirika road race

Reports about Kenya's blood bank present a situation that must be addressed. It is reported that about 450,000 units of blood are required annually but there have been challenges in reaching 50 percent of this amount. This fact affects the realisation of universal health care. In response to this need cooperators held a blood donation exercise in which we participated. The drive also brought together members of the public who volunteered in the fight to save lives.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

CIC Group Chairman Japheth Magomere (center) with cooperative leaders and ushirika race participants at Uhuru Park grounds

Climate change has had an impact in our environment with effects such as prolonged drought, and changes in weather patterns affecting the country. Effects of climate change have made it clear that the problem must be addressed for growth and stability. Although there needs to be drastic approaches to some of the ongoing challenges, cooperatives were able to identify a practical yet promising initiative that would form part of the solution to the problem. We embarked on a tree planting exercise aiming to grow over 3000 trees in one year. Our team took the opportunity to make their contribution.

Our staff participating in the tree planting initiative

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(continued)*

Spending time with the needy to bring good cheer

Our identity has made us appreciate the power of unity in addressing societal problems. We are attentive to what goes around us and as such CIC staff came together to support Mwamko Children's home situated in Soweto slum, Nairobi. The visit provided an opportunity for our staff to share and offer mentorship sessions to the children at the home. Mwamko takes care of children between the ages of four and eighteen years. Owing to their commitment towards doing good and impacting a life, CIC staff have sponsored some of the children at the home through high school to empower them into changing their situation.

A moment to share that brought happiness to Mwamko children's home

CIC staff also visited the cancer pediatrics ward at Kenyatta National Hospital. The team spent time with the children and caregivers. Donations were received by the hospital's management who expressed their appreciation towards the team for their contribution.

KNH staff (center) receives donations from the CIC team that visited the hospital

L-R: GM CIC Group Joseph Kamiri and GM CIC General Dickson Ireri present a cheque to DMI CEO the late Mrs Eva Muchemi and AKI Chairman Mr. Mathew Koech

BUSINESS REVIEW

Operating and Service Delivery Models

Our operating model is a customer driven model, where all our functions work together with a unitary goal of serving the customer at one stop (One CIC). A service delivery model defines how work adds value and relates to the business. At CIC Group we operate a flexible and aligned service delivery model that will ensure that customers (both external and internal) are served promptly, and in a cost effective way. The cost austerity measures adopted by the company in the year resulted in both lower budget and industry expense margins.

Our service delivery model is also aimed at ensuring we deliver the best service to our customers at the same time aiming at creating shareholder value. We create shareholder value by focusing on several core areas, underpinned by our commitment to creating and maintaining a sustainable business. The Group's focus on innovation and excellence in service delivery has differentiated it in the market and earned it National and International recognition.

Products and Services

CIC Group is licensed to trade in all insurance product and services lines except aviation. Our operating model includes a comprehensive and fully embedded risk management process which assists us in identifying and managing risks and opportunities to deliver the Group's strategy and the other essential elements of our business model. CIC Group was awarded the 2019 Group Life Company of the Year Award for a fourth year in a row.

Claims Settlement and Management Process

The claims settlement process is the true value of an insurance cover. Claims account for the highest percentage of the group's cost. The manner in which a claims process is managed is therefore vital to the group's profitability and we endeavor to deliver on our promise of keeping our word and our promise to our clients. In addition, we have mechanism in place to ensure the fraudulent claims do not fall through and minimize the risks that come through as a result of fraudulent claims. The group has in place a strong and robust reinsurance program to cover any huge risks that may befall it at any point in time.

In the year, Global Credit Rating (GCR) issued the national scale claims paying ability rating assigned to CIC General Insurance Limited of A- (KE) outlook stable, while CIC Life Assurance Limited scored an A+ (KE) outlook stable rating.

Distribution and Partnerships

The group has footprint across the country through the branch networks, brokers & independent agents and tied financial advisors. We endeavor to bring our products and services closer to our clients through our branch network and our regional offices in South Sudan, Uganda and Malawi. We have a head office at Upper hill, Nairobi and 27 branches situated in various parts of the country. We have also partnered with various intermediaries who are very instrumental in our process of making the products available to our clients. We have also entered into various strategic business partnerships including; The Cooperative Movement, banks and the intermediaries so that our products reach and serve every household in Kenya. CIC is a member of ICMIF and was selected to represent the African continent in the 555 project. The Kenya project began with studies which involved in-depth insights into the inclusive mutual insurance environment with a view of identifying the gaps that would lead to scale up of insurance among low income households.

BUSINESS REVIEW *(continued)*

Income and Asset Growth

Increasing assets, growing revenue and lowering unit costs enables us to drive our profit and further invest in growing our business. We derive our income through prudent underwriting processes in Life and General insurance products, managing client's investment under Asset management, pensions, annuity funds on behalf of our customers and investment income generated from the funds we invest.

Our focus in setting such targets is to achieve sustainable performance over the short and long term. We supplement the income from our underwriting processes through the returns from the various investment portfolios. The Group owns two commercial buildings in Upper hill which generates rental income and parcels of land which continue to appreciate and offer competitive returns. Consultants engagements are underway as we seek to maximise value extraction from the investments. We create value for our shareholders by efficiently managing the financial resources and assets.

Information Communication and Technology

The company has invested heavily in ICT infrastructure and systems. The customers can file a report including claims at any CIC branch offices countrywide. The branches are interconnected with the head office via a wide area network which makes communication easy. The group has also embraced ICT technology to distribute its products through M-Bima platform. To enhance efficiency and provision of timely reports, the group implemented an ERP system which integrates the processes and reports. A core business insurance system, PREMIA, for CIC General Insurance was implemented in the year.

Employees and Leadership

Employees play the key role in delivering the group's strategic objectives and goals. The group is among the top companies in the industry with highly trained, skilled, motivated and remunerated employees. The group has heavily invested in employee training, development and coaching. CIC Group has a strong management and leadership which has long embraced and practiced strategic thinking and co-operative entrepreneurship spirit.

Strong Brand Presence and Value Proposition

CIC Group has a strong and visible brand presence all over the country. It offers unique value proposition to various customer segments using the right channels and products. Differentiation is one of the most important strategic and tactical activities in order to win in the chosen markets. We shall continue leveraging on this good will to maximize market and profitable growth.

Procurement practices

CIC Group spends a sizeable amount of its financial resources on procuring various goods, works and services to facilitate the discharge of its mandate and mission. This is done by following a uniform, systematic, efficient and cost effective procedure to ensure that best total value is achieved when procuring goods, services and works. The procurement process is conducted in a transparent manner to bring competition, fairness and elimination of arbitrariness in the system under the following principles

1. Value for money: This is the trade-off between price and performance that provides the greatest overall benefit under the specified selection criteria.

BUSINESS REVIEW *(continued)*

2. Fairness: To achieve best value for money, the procurement process must protect the Group from proscribed practices such as fraud, corruption, collusion and other unethical practices.

3. Integrity & Transparency: The manner in which the procurement process is undertaken must provide all internal and external stakeholders with assurance that the process is fair and transparent and that integrity has been maintained.

4. Effective Competition: By fostering effective competition among vendors, CIC Group applies the principles of fairness, integrity and transparency to achieve best value for money.

5. Best Interests: Undertaking procurement in the best interest means carrying out procurement activities in a manner that enables CIC Group attain its general and specific objectives in compliance with applicable procurement procedures.

CIC Group Procurement policy and manual is approved by the board every two years.

Risk Management Practices

Key risks facing the company and industry at large are fraudulent activities, undercutting by other players thereby causing unfair competition and challenges in collection of premiums. Various strategies and initiatives have been implemented to mitigate against adverse effects of these risks. This includes adopting strict underwriting guidelines on pricing of all risks, thorough claims investigations, cost containments and aggressive collection of all current and old debts. Stringent Solvency requirements by the regulator and the poorly performing investment environment, led the company to adopt a strategy of reduced risk appetite and strict underwriting terms.

AKI Awards 2019
2nd Runners up
Insurance Motor Data System Award

GROUP CHAIRMAN'S STATEMENT
TAARIFA YA MWENYEKITI, CIC GROUP

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 2019.

2019 was generally a tough year for businesses. Kenya's economy recorded slower levels of growth averaging at 5.4% for the first three quarters, compared to 6% in a smilar period in 2018. Inflation in the month of December 2019 rose to 5.8%, from 5.6% in November, bringing the 2019 average to 5.2%. Although this rate was within the government estimates, lower inflation rates are preferred to nurture economic growth.

Owing to business performance, we issued a profit warning in line with the regulatory requirements by CMA. The profit warning arose primarily from growth in claims in our general line of business against relatively flat growth in net earned premiums in both insurance lines of business. However, the company is faring well with measures placed across the group for business continuity.

CIC Group gross written premium in 2019 grew by 6% from KShs 16.6 billion to KShs 17.7 billion. Net earned premiums however, grew by 1%, from 14.3 billion to 14.4 billion. Profit before tax for the year went down by 40% from a restated figure of KShs 645 million in 2018 to KShs 386 million in 2019. The group's asset base grew by 7% from KShs 33 billion to KShs 35.3 billion.

CIC General registered a 4% growth in gross written premium, from KShs 10.2 billion to KShs 10.7 billion in 2019. The company's profit before tax went down by 46% from KShs 630 million to KShs 340 million in 2019.

The growth in written premiums is attributed to our medical business, arising from efficiency in service delivery and good customer service. Rampant fraud affecting the insurance industry also had an effect on our profitability. However, we are addressing this challenge by applying risk based pricing as one of the measures in order to cushion the company. We continue to carry out continuous sensitization to our customers, emphasizing on why they should apply the right measures while accessing medical

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 2019.

Mwaka wa 2019 ulikuwa mwaka mgumu kwa biashara hapa nchini. Uchumi wa nchi ulinakili ukuaji wastani wa asilimia 5.4 kwa robo tatu za kwanza, ikilinganishwa na asilimia 6 katika kipindi sawa mnamo mwaka wa 2018. Kiwango cha gharama ya maisha kiliongezeka hadi asimilia 5.8 mwezi Disemba mwaka wa 2019 kutoka asilimia 5.6 mwezi Novemba mwaka huo huo, na kufikisha asilimia 5.2 kiwango wastani cha ongezeko la gharama ya maisha. Ingawaje kiwango hicho hakikuzidi makisio ya serikali, kiwango cha chini cha mfumko ni afueni kwa ukuaji wa uchumi.

Kwa kuzingatia hali ya biashara, tulitoa ilani ya kupungua kwa faida kuambatana na masharti ya halmashauri ya kudhibiti soko la mtaji, CMA. Kimsingi ilani hiyo ilitokana na kuongezeka kwa madai ya malipo kutoka kwa wateja wakati ambapo ukuaji wa biashara ulikuwa unafifia. Hata hivyo tunafuraha kuwajulisha kuwa tumeweka mikakati kuendeleza ukuaji wa kampuni.

Katika kipindi hicho mapato jumla ya CIC Group yaliongezeka kwa asilimia 6 kutoka KShs Bilioni 16.6 hadi KShs Bilioni 17.7. Malipo halisi ya bima yaliongezeka kwa asilimia 1 kutoka KShs Bilioni 14.3 hadi KShs Bilioni 14.4. Faida kabla ya kulipa ushuru katika kipindi hicho ilipungua kwa asilimia 40 kutoka KShs Milioni 645 mnamo mwaka wa 2018 hadi KShs Milioni 386 katika mwaka wa 2019. Raslimali za kampuni ziliongezeka kwa asilimia 7 kutoka KShs Bilioni 33 hadi KShs Bilioni 35.3.

CIC General ilinakili ukuaji wa asilimia 4 kutoka KShs Bilioni 10.2 hadi KShs Bilioni 10.7 katika mwaka wa 2019. Faida jumla ya kampuni kabla ya kulipa ushuru ilipungua kwa asilimia 46 kutoka KShs Milioni 630 hadi KShs Milioni 340 katika mwaka wa 2019.

Ukuaji huo wa jumla ya mapato hata hivyo umetokana na kuimarika kwa bima ya afya, kulikochangiwa na ubunifu katika utenda kazi wetu bora. Ulaghai uliokithiri kwa sekta ya bima pia uliathiri faida yetu. Hata hivyo tunaweka mikakati kushughulikia swala

GROUP CHAIRMAN'S STATEMENT
TAARIFA YA MWENYEKITI, CIC GROUP

and other insurance services. We have also placed cost management measures to enable us work more effectively while meeting the customer needs.

CIC Life Assurance gross written premium dropped by 2% from KShs 5.1 billion to KShs 5 billion. Profit increased from a restated loss of KShs 18 million to a profit of KShs 163 million. The growth in profit was as a result of key account management where staff constantly engaged customers, which in turn strengthened relationships and built confidence. One such market is cooperatives where we enjoy a strong business relationship. Further, our commitment towards addressing customer concerns especially in claim settlement has made customers believe in us thereby contributing to the growth. Following the efforts, CIC Life won the AKI Group Life Best Practice Award, a title that we have retained for four years now.

CIC Asset Management maintained a strong performance closing the year with KShs 51 billion of assets under management, compared to KShs 40 billion in 2018. Profit before tax went up by 93% from KShs 126 million to KShs 244 million. We are leading in market share at 40%.

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 performed reasonably well despite harsh political environments in all three countries, namely South Sudan, Malawi and Uganda. South Sudan registered a gross written premium of KShs 848 million from KShs 512 million in 2018. Gross written premium for CIC Uganda was KShs 935 million from KShs 635 million, while CIC Malawi registered a gross written premium of Kshs 261 million from KShs 177 million. Regional subsidiaries contributed 11.6% to the Group's written premium and 32% to the bottomline.

We have impressed upon regional businesses to work towards raising their level of performance for the benefit of the company and its shareholders.

hilo kupitia mfumo wetu wa malipo ya bima ili kuikinga kampuni kutokana na athari hizo. Aidha tunaendelea kuwahamasisha wateja wetu kuhusu huduma zetu na hasa haja ya kumakinika wanapotafuta huduma za matibabu na huduma nyingine zinazolipiwa na bima. Kadhalika tumeweka mfumo mwafaka wa kudhibiti gharama ya matumizi bila kuathiri ubora wa huduma kwa wateja.

CIC Life iliandikisha kupungua kwa jumla ya malipo kwa asilimia 2 kutoka KShs Bilioni 5.1 hadi KShs 5 Bilioni. Faida iliongezeka kutoka hasara iliyokisiwa ya KShs Milioni 18 hadi KShs Milioni 163. Hii nyongeza ya faida ilitokana na ushirikiano mwema kati ya wahasibu wa kampuni na wateja, hali iliyoongeza imani ya wateja katika kampuni. Moja ya sekta zilizochangia ukuaji huo ni sekta ya vyama vya ushirika, ambayo ina uhusiano mwema na kampuni yetu. Kadhalika uwazi katika jinsi tunavyoshughulikia malipo ya madai ya wateja, pia umesaidia katika kuongeza imani ya wateja katika kampuni. Juhudi hizo zimewezesha kampuni yetu kushinda tuzo ya chama cha kampuni za bima nchini kuhusu bima bora ya maisha, tuzo ambayo tumetunukiwa kwa miaka minne sasa.

CIC Asset Management iliendelea kunakilia ukuaji, ambapo ilifunga ikiwa imetia ibindoni usimamizi wa raslimali za thamani ya KShs Bilioni 51, ikilinganishwa na usimamizi wa raslimali za KShs Bilioni 40 mwaka wa 2018. Faida kabla ya kulipa ushuru katika biashara hii iliongezeka kwa asilimia 93 kutoka KShs Milioni 126 hadi KShs Milioni 244. Tunaongoza katika soko hili kwa mtaji wa asilimia 40.

Ukuaji huo umetokana na imani katika kampuni na huduma bora na ya kuaminika kwa wateja. Hayo yote yasingewezekana bila ushauri kwa watalaamu wetu waliobobea katika biashara ya uwekezaji.

Nje ya Kenya, ofisi zetu za kanda pia zilishamiri kibiashara, licha ya hali tete ya kisiasa katika nchi tatu za Sudan Kusini, Malawi na Uganda. Nchini Sudan Kusini, tulinakili ukuaji wa mapato wa KShs Milioni 848 kutoka KShs Milioni 512 mnamo mwaka wa 2018. Nchini Uganda hali ilikuwa vivyo hivyo ambapo tulinakili ukuaji wa biashara wa hadi KShs Milioni 935 kutoka KShs Milioni 635 katika mwaka wa 2018, ilihali nchini Malawi kampuni ya CIC ilinakili ukuaji wa KShs

Future Outlook

We have come a long way as a company and have the strength to go even further into the future. Despite the business challenges we faced, I am confident that we are equipped to withstand what comes our way provided we stand together.

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.

In addition, CIC is a strong brand which gives us a competitive advantage over other players in the market. Our cooperative model further strengthens our position in the market place.

The unprecedented events brought about by COVID-19 are bound to affect us. As a financial solutions provider we are likely to experience a reduction in business owing to reduced economic activity. Locally, a slow down in business operations also means a reduction in business interaction. Nonetheless, we are hopeful that the situation will change. We remain steadfast, engaging our current and potential markets in line with our strategic objective.

On behalf of the Board of Directors, I assure you of our commitment, as we jointly make this company what we all believe it can be.

Thank you.

Japheth Magomere, OGW,
Chairman CIC Group

Milioni 261 kutoka KShs Milioni 177 katika mwaka uliotangulia. Matawi hayo ya kanda yalichangia ukuaji wa asilimia 11.6 kwa mapato ya jumla na asilimia 32 kwa mapato msingi.

Tumehimiza matawi hayo ya kanda kufanya bidii hata zaidi kwa manufaa ya kampuni na wenyehisa wake.

Matarajio

Tumetoka mbali kama kampuni na tuna nguvu na uwezo wa kwenda mbali hata zaidi katika siku za usoni. Licha ya changamoto za kibiashara tulikumbana nazo katika kipindi kinachoangaziwa, sina shaka kwamba tumejihami vilivyo kukabili hali zitakazojiri baadaye mradi tudumishe umoja wetu.

Umahiri wetu katika sekta hii ni bayana ikizingatiwa tuzo tumeendelea kujinyakulia katika vitengo tofauti vya biashara yetu. Hatuna budi kuwashukuru wafanyakazi wetu waliojitoa mhanga wanaotekeleza majukumu yao kwa bidii na uadilifu.

Kando na hayo, CIC ni jina tajika katika sekta ya bima, hali inayochangia umaarufu wa kampuni. Kadhalika mfumo wetu wa asilia wa ushirika pia ni wenye manufaa zaidi kwetu katika soko la bima .

Hali isiyokuwa ya kawaida ambayo imesababishwa na chamko ya ugonjwa wa Covid-19 bila shaka itaathiri biashara yetu. Kama washauri dhati katika maswala ya fedha, tunaamini tutashuhudia kufifia kwa biashara nyingi kutokana na kupungua kwa shughuli msingi za kiuchumi. Hapa nchini, kupungua kwa shughuli za biashara kunamaanisha kupungua kwa huduma za bima. Hata hivyo tunamatumaini kwamba hali ya kawaida itarejea. Pia hatutachoka kuwasiliana na wateja wetu wa sasa na watarajiwa kuambatana na mkakati wetu wa biashara.

Kwa niaba ya halmashauri ya wakurugenzi, nawahakikishia kujitolea kwetu, tunapojizatiti pamoja kuhakikisha kuwa kampuni hii inaafikia maazimio yake.

Shukrani.

Japheth Magomere, OGW
Mwenyekiti CIC Group

BOARD OF DIRECTORS

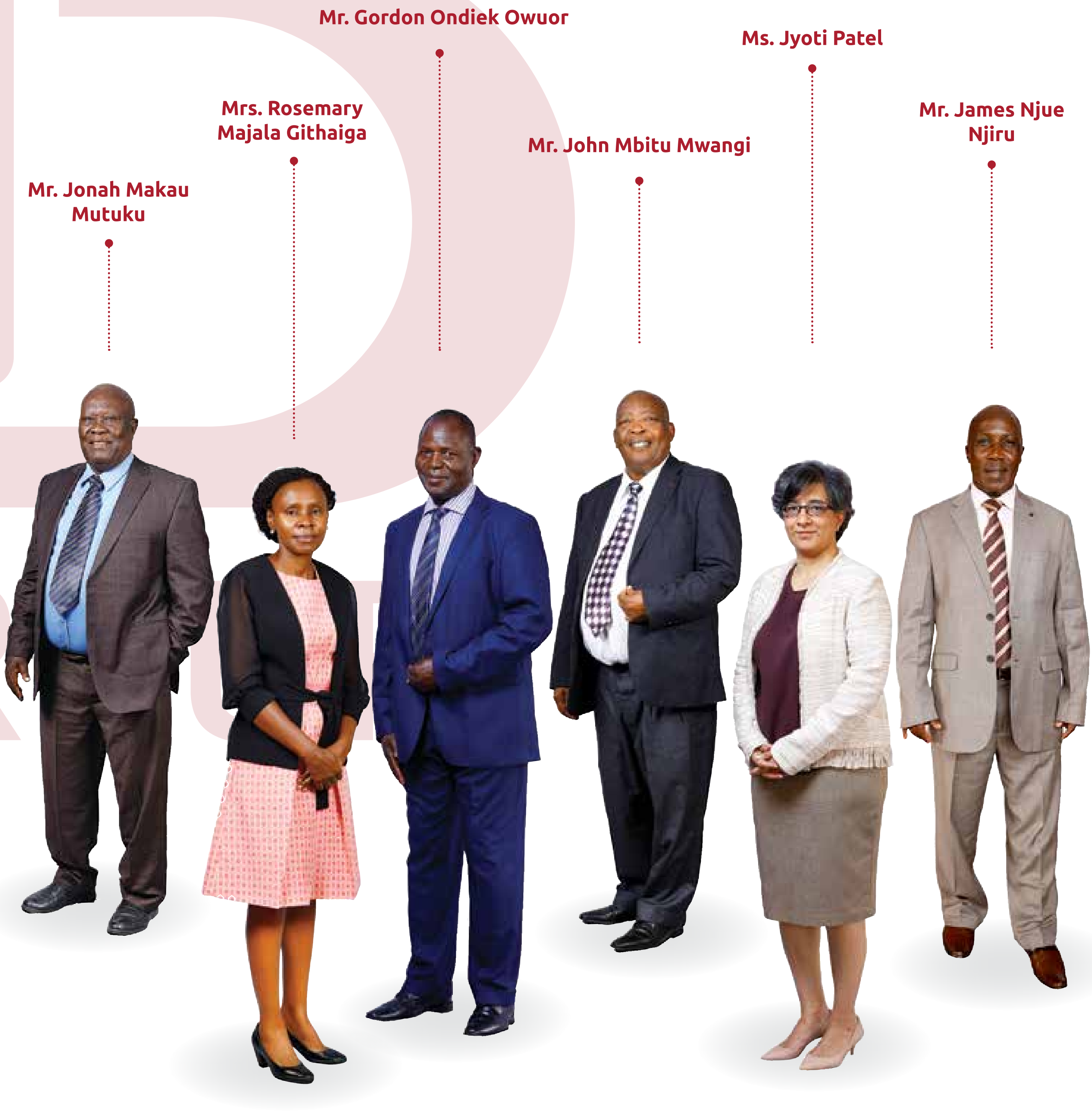
Mr. Japheth Anavila Magomere OGW

Mr. Peter Kipkirui Nyigei

Mr. Patrick Nyaga

Ms. Gail Odongo

Mr. Michael Ondinya Wambia


Mr. Gordon Ondiek Owuor
Ms. Jyoti Patel
Mrs. Rosemary Majala Githaiga
Mr. James Njue Njiru
Mr. John Mbitu Mwangi
Mr. Jonah Makau Mutuku

BOARD OF DIRECTORS

Mr. Japheth Anavila Magomere OGW
GROUP CHAIRMAN

Mr. Japheth Anavila Magomere aged 69, is the President of the International Co-operative 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 Co-operative 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 Vice 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 67, is the Director representing Rift Valley Region based societies and is the secretary of Sinendet Tea Multipurpose Society. Further he is a Director of Imarisha SACCO. Mr.Kipkirui is a retired teacher and principal who at one time served as a Programme Officer and a trainer in Early Childhood Education in Bomet, Nakuru, Baringo and Kericho Counties. The Director has undergone General Insurance Business training and is a member of the Institute of Director.

Mr. Patrick Nyaga
GROUP CHIEF EXECUTIVE OFFICER

Mr. Patrick Nyaga, aged 52 is the Group Chief Executive Officer. He 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.

Ms. Gail Odongo
GROUP COMPANY SECRETARY

Ms. Odongo aged 47, 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.

Mr. Michael Ondinya Wambia
DIRECTOR

Mr. Michael Ondinya Wambia aged 52, is the Director representing Western Region based societies and is a board member of FARIDI SACCO. He is a teacher by profession. The Director also holds a Diploma in Education Management from KEMI (Kenya Educational Management Institute) and is a Member of the Institute of Directors of Kenya and a Delegate of Cooperative Bank of Kenya. Further he has received training in Advanced Life Insurance by LIMRA, Corporate Governance Master Class by IFC World Bank, Employment Act and Discipline Management by FKE and Corporate Governance for Directors by Centre Corporate Governance.

Mr. Jonah Makau Mutuku
DIRECTOR

Mr. Jonah Makau Mutuku aged 72, is the Director representing Coast and North Eastern Province based Societies and is the Chairman of Mafanikio SACCO. He is a retired teacher and serves at ACK St. Philips Church. He is also a lay Canon of the Cathedral of the Anglican Church of Mombasa Diocese. Mr. Mutuku is a Delegate of Co-op Holdings Co-operative Society (the anchor shareholder of Cooperative Bank). He is also a member of the Institute of Directors of Kenya.

Mrs. Rosemary Majala Githaiga
DIRECTOR

Mrs. Rosemary Majala Githaiga aged 57, has over 25 years' experience as a lawyer and is the former Group Company Secretary of the Co-operative 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.

Mr. Gordon Ondiek Owuor
DIRECTOR

Mr. Gordon Ondiek Owuor aged 64, is the Director representing Nyanza Region based societies. Mr.Owuor is the Director of Jumuika (formerly Chemelil) SACCO, a member of the Nyanza Provincial Co-operative Development Team and a Member of the Institute of Directors of Kenya. He previously worked with the East African Fresh Water Fisheries Research Organization and is the current Chairman of Loyalty Refined company. He holds an executive Diploma in Financial Management. The Director has undergone specialized Life Business Management Training conducted by LIMRA (Life Insurance and Market Research Association).

John Mbitu Mwangi
DIRECTOR

Director John Mbitu, aged 68, is a Board member of CIC Insurance Group and also the Chairman of the Board of Directors of CIC Asset Management Limited which is a subsidiary of the Group. Director Mbitu is the Chairman of K-Unity SACCO and also the Vice Chairman Board of Directors Kabete Dairy Farmers Co-operative Society Ltd. Mr. Mbitu has been an educational professional for many years. The Director is a member of the Institute of Directors of Kenya.

Ms. Jyoti Patel
DIRECTOR

Ms. Jyoti Ishwarbhai Patel aged 50, is an independent non-executive Director. She has considerable working experience, in executive management teams specializing in accountancy, finance and risk management. 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.

Mr. James Njue Njiru
DIRECTOR

Mr. James Njue Njiru aged 53, is the director representing Eastern Region based societies. He is the Chairman of Nawiri Sacco Society. He is also a Director of Co-op Holdings Co-operative Society and the Cooperative Bank of Kenya Ltd. Mr. Njiru is a Board of Management member for various schools in the Eastern Region. He holds a diploma in Business Management from the Kenya Institute of Management.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT
TAARIFA YA AFISA MKUU MTENDAJI, CIC GROUP

Dear Shareholders,

Year 2019 was challenging being a period following year 2017 and 2018 where the economy was yet to regain full growth momentum.

The Insurance Industry registered a gross written premium of KShs 228 Billion growing by 5.8% compared with 2018. Long term [Life] insurance grew by 11.9% while Short term [General] insurance grew by 1.6%. General Insurance was the largest contributor to the industry contributing 57.3% of the total premium.

Long term insurance recorded a gross premium income of KShs 97.6 Billion representing an 11.9% growth compared with 2018. Pensions and Life Assurance classes were the biggest contributors at 38.4% and 28.9% respectively.

General insurance premiums as at the end of 2019 stood at KShs 131 Billion, which was a 1.6% growth with Motor and Medical insurance classes as the major contributors at 34.7% and 32.4% respectively. General insurance claims amounted to KShs 57.6 Billion compared to KShs. 56.7 Billion at the end of December 2018 a growth of 1.6%. Fraudulent claims continues to be a major concern for industry players.

Financial Performance Overview

For the financial year ended 31 December 2019, the group continued to register topline growth with gross written premiums increasing by 7% from KShs 16 Billion in 2018 to KShs17.7 Billion in 2019. Total assets increased by 7% to KShs 35.3 Billion. Though the other expenses were well within expectation, the group experienced adverse growth of 6% in claims thus impacting the profitability. Poor performance of the equities market and reduction in revaluation gains on property investments also had a significant negative impact on the profits. The regional subsidiaries were on a growth trajectory during the year. Profit before tax thus dropped from KShs 654 Million in 2018 to KShs 386 Million in 2019.

Wanahisa Wapendwa,

Mwaka wa 2019 ulikuwa na changamoto kama zilizotokea mwaka wa 2017 na 2018 ambazo zilisababisha uchumi usirejee kwenye hali yake ya kawaida.

Sekta ya Bima ilisajili malipo kamili ya KShs 228 Bilioni ambayo ilikua kwa asilimia 5.8 ikilinganishwa na mwaka 2018. Bima ya muda mrefu (Long-term Insurance) ilipanda kwa asilimia 11.9 na ile ya muda mfupi (Short-term Insurance) ilipanda kwa asilimia 1.6. Bima ya Ujumla (General Insurance) ndio yenye mchango mkubwa kwenye Sekta ya Bima ikichangia asilimia 57.3 kwa ujumla ya malipo.

Bima ya Muda Mrefu ilichangia KShs 97.6 Bilioni ikiwa ni ongezeko la asilimia 11.9 ukilinganisha na mwaka 2018. Bima ya Uzeeni (Pensions) na Bima ya Maisha (Life Insurance) ndizo zimekuwa na mchango mkubwa wa asilimia 38.4 na 28.9 mtawaliwa.

Malipo ya Bima ya Ujumla mwishoni mwa mwaka 2019 iliandikisha Shilingi Bilioni 131, ambayo ilikuwa wa asilimia 1.6 ikichangiwa pakubwa na Bima ya Magari (Motor Insurance) na ile ya Matibabu (Health Insurance) kwa asilimia 34.7 na 32.4 mtawaliwa.

Madai ya Bima ya Ujumla yalikuwa KShs Bilioni 57.6 ikilinganishwa na KShs Bilioni 56.7 mwisho wa Desemba 2018, ukuaji wa asilimia 1.6. Madai ya udanganyifu yanaendelea kuzua wasiwasi mkubwa kwa Sekta ya Bima humu nchini Kenya, na hatua za pamoja zinafaa kutekelezwa ili kuboresha utendaji.

Maelezo ya Utendaji wa Kifedha

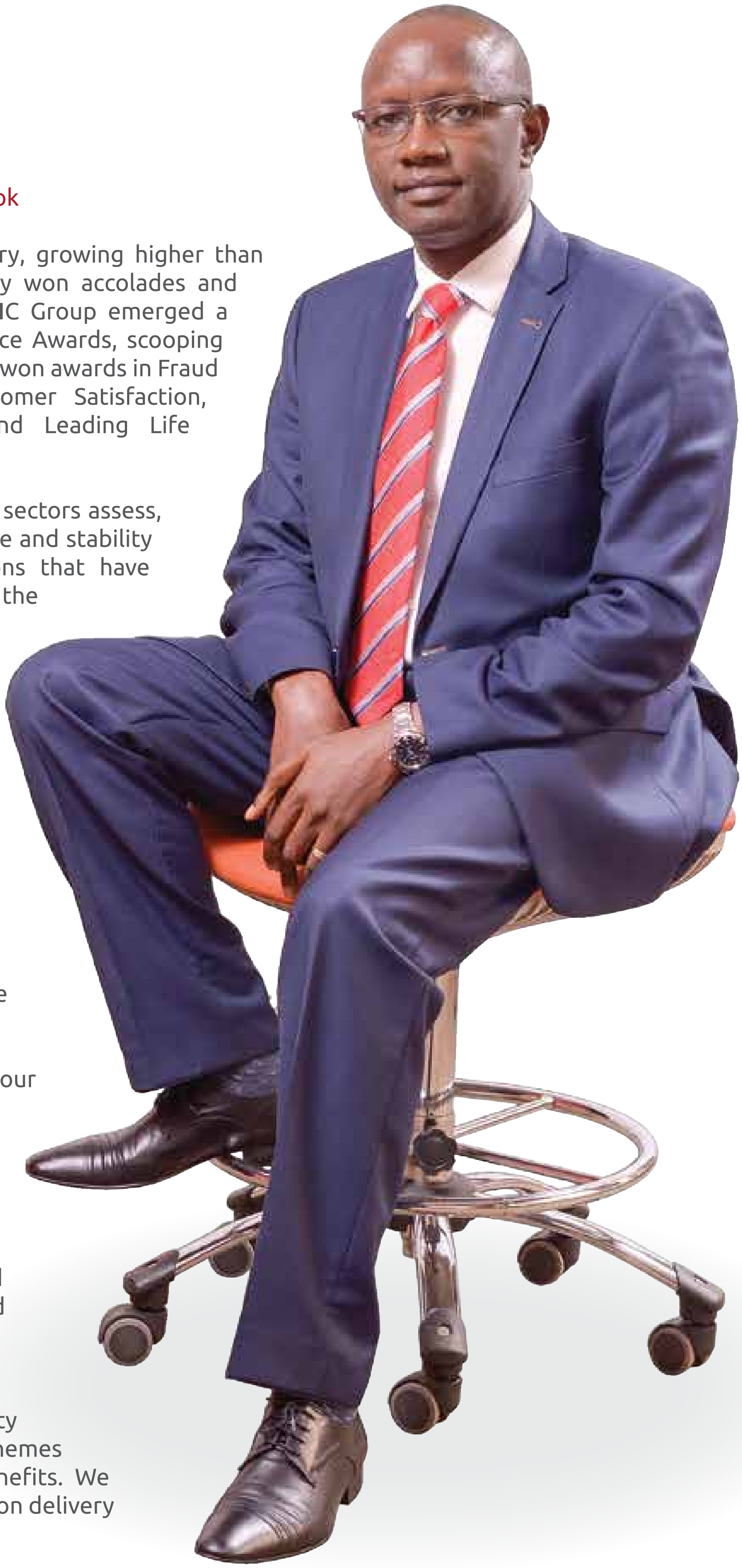
Mwaka wa fedha uliomalizika tarehe 31 Desemba 2019, kampuni ya Bima ya CIC Group iliendelea kuonesha kunufaika kwa kuongezeka na kukua faida kwa kiwango cha asilimia 7 kutoka KShs 16 Bilioni ya mwaka 2018, hadi KShs 17.7 Bilioni katika mwaka 2019.

Jumla ya mali iliongezeka na asilimia 7 hadi KShs 35.3 Bilioni. Ingawa gharama zingine zilikuwa zinatarajiwa, CIC Group ilipata ukuaji mkubwa wa asilimia 6 kwa

Sustained Business Growth and Bright Outlook

The Group continued on a growth trajectory, growing higher than the industry. During the year, the company won accolades and recognition amongst our peers. Notably, CIC Group emerged a major winner at the Think Business Insurance Awards, scooping six prizes in various categories. The company won awards in Fraud Detection and Prevention Initiative, Customer Satisfaction, Claims Settlement, Risk Management and Leading Life Insurance company categories.

The awards known in banking and insurance sectors assess, recognize and celebrate innovation, prudence and stability by recognizing individuals and organizations that have exemplified outstanding performance in the sector over the past financial year.



In addition, CIC was a major winner during the AKI Awards 2019. We emerged winners in the Group Life Assurance Best Practice Award, Domestic Insurance Package Award, Life Assurance Business Annualized Premium Paid Award and Insurance Motor Data System Award (second runners-up). At the Annual Real Estate Excellence Awards in 2019, CIC Group emerged the winner under the category of the most preferred rental property insurance company.

I attribute the success of the company to our strategic mix, which includes a dedicated staff focused on delivery of our innovative products and impressive customer experience all brought together by our tag line "we keep our word".

We have innovatively created customized products that position us as a trusted insurance and financial services provider.
We unveiled the Fertility benefit, a rider onto our corporate medical insurance benefits that covers insured persons against fertility challenges. The benefit is applicable for schemes with at least outpatient and maternity benefits. We also launched CIC Dawa Mlangoni, a medication delivery

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT
TAARIFA YA AFISA MKUU MTENDAJI, CIC GROUP

service that enables customers to communicate their prescription to CIC and have it delivered at their doorsteps. To ensure speed and accuracy of the process, CIC has invested in an in-house ICT and pharmaceutical capacity, and collaborated with reputable service providers in the country for fast and accurate service. This service has become very popular with corporate executives and business people who now have more time to do their usual business now that they do not have to queue at pharmacies waiting for prescriptions. We have also seen very high uptake of this service from our customers who are on Chronic Disease Management regimes, as they now do not have to go to pharmacies for their regular medication as it is delivered routinely to their homes or offices at no extra cost.

To effectively run the business and respond to the ever-changing customer needs, we have modernized our core ICT systems to enhance compatibility with mobile apps and self-service portals for clients. The company has also invested in new Enterprise Reporting Program (ERP) and Customer Relationship Management (CRM) systems in view of providing unmatched service to our clients. With these systems, we have enhanced accessibility to and from our customers and other stakeholders for better customer service.

CIC Group remains a leading co-operatives insurer in Africa. We continue to work closely with cooperatives, providing tailored insurance and financial services for them to strengthen their entities. In addition to sale of insurance products to Cooperatives and our other customers, we give additional value including training on financial literacy and risk mitigation. This has continually positioned our brand in the market as a caring and responsive brand. We endeavor to provide this support as it resonates with our mission of enabling people achieve financial security.

The group will continue to grow and post impressive results as we turn around our businesses and offer unique customer experience.

madai na hivyo kuathiri faida. Kiwango kibovu cha soko la usawa (equities market), uthaminisha wa mali kama majengo ya kudumu yamechangia pakubwa kwa upungufu wa faida. Ruzuku za mkoa (Regional subsidiaries) ya CIC Group nazo zilionyesha mwelekeo wa ukuaji. Faida kabla ya kodi ilishuka kutoka KShs 654 Milioni mwaka wa 2018, hadi KShs 386 Milioni mwaka wa 2019.

Ukuaji wa Biashara Endelevu na Mtazamo

Kampuni ya CIC Group iliendelea kwenye mwelekeo wa ukuaji, ikiongezeka zaidi kuliko Sekta ya Bima. Mwaka wa 2019, tulishinda sifa na kutambuliwa katika Sekta ya Bima. CIC Group iliibuka mshindi mkubwa katika Think Business Insurance Awards, tukinyakua zawadi sita katika vikundi mbali mbali. Kampuni ilishinda tuzo katika Ugunduzi wa Ulaghai na Kuzuia (Fraud Detection and Prevention Initiative), Kuridhika kwa Wateja (Customer Satisfaction), Madai (Claims Settlement), Usimamizi wa Hatari (Risk Management) na Kampuni ya Bima ya Uhai Inayoongoza (Leading Life Insurance Company).

Tuzo hizo zinazojulikana katika sekta za benki na bima, zinatathmini, kutambua na kusherehekea uvumbuzi, busara na utulivu kwa kutambua watu binafsi na mashirika ambayo yameonyesha mfano bora wa shughuli katika sekta katika mwaka wa fedha uliopita. Kampuni ya CIC Group pia ilikuwa mshindi mkubwa wakati wa Tuzo za AKI za mwaka 2019 (AKI Awards 2019). Tuliibuka washindi katika Tuzo la Maisha Bora ya Kikundi (Group Life Assurance Best Practice Award), Tuzo la Bima ya Nyumbani (Domestic Insurance Package Award), Tuzo la Biashara ya Uhakikisho wa Maisha (Life Assurance Business Annualized Premium Paid Award), na nafasi ya tatu kwa Tuzo la Mfumo wa Takwimu za Bima ya Magari (Insurance Motor Data System Award). Katika Tuzo za Ubora wa Mali Isiyohamishika ya Mwaka wa 2019 (Annual Real Estate Excellence Awards 2019), CIC Group iliibuka mshindi katika kitengo cha Kampuni ya Bima ya Kukodisha Mali Inayopendelewa Zaidi (Most Preferred Rental Property Insurance Company).

In Conclusion

On behalf of the management team and on my own behalf I sincerely appreciate our customers for their loyalty and confidence in the Group. I would also like to thank the Board for the commitment, support and wise counsel.

To our CIC team 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 and shareholders for the continued partnership and I look forward to success in 2020 and beyond.

Thank you and may God bless you.

Patrick Nyaga
Group Chief Executive Officer

Mafanikio ya CIC Group imesababishwa na mchanganyiko wetu wa kimikakati, ambayo inajumlisha wafanyikazi shupavu waliojitolea katika utoaji wa bidhaa zetu za ubunifu na uzoefu wa kuvutia wateja wote wanaoletwa pamoja chini ya kauli mbiu, "kutimiza neno letu".

Tumebuni bidhaa zinazolenga mahitaji ya wateja wetu, na ambazo zinatuweka kama mtoaji wa huduma za bima na kifedha ya kuaminika.

Tulizindua Faida ya Uzazi (Fertility benefit), kuongezea faida za bima ya matibabu haswa kulenga wenye changamoto za uzazi. Faida hiyo inatumika kwa miradi ya wagonjwa wenye bima ya nje (outpatient) na ya uzazi.

Pia tulizindua CIC Dawa Mlangoni, huduma ya uwasilishaji wa dawa inayowawezesha wateja kuagiza dawa kuletwa hadi makwao. Kuhakikisha kasi na usahihi wa mchakato, CIC imewekeza kwenye msingi wa teknolojia na uwezo wa dawa, na kushirikiana na watoa huduma mashuhuri nchini kwa huduma ya haraka na sahihi. Huduma hii imekuwa maarufu sana kwa watendaji wakuu wa kampuni mbalimbali na wafanyibiashara ambao sasa wana wakati zaidi wa kufanya biashara zao za kawaida, kwani hawahitajiki kupiga foleni kwenye maduka ya dawa kusubiri maagizo. Huduma hii imechukuzwa sana na wateja wetu ambao wako kwenye serikali za usimamizi wa magonjwa sugu, kwani sasa hawalazimiki kwenda kwenye maduka ya dawa kwa dawa zao za kawaida, kwani husafirishwa na kutolewa majumbani mwao au ofisini bila gharama ya ziada.

Ili kuendesha biashara kwa ufanisi na kujibu mahitaji ya wateja yanayobadilika kila wakati, tumeboresha mifumo yetu ya msingi ya ICT ili kuongeza utangamano na programu za rununu na majalada ya huduma ya kibinafsi kwa wateja. Kampuni pia imewekeza katika Programu mpya ya Kuripoti Biashara (ERP) na Mifumo ya Usimamizi wa Wateja (CRM) kwa mtazamo wa kutoa huduma isiyolingana na kwa wateja wetu. Na mifumo hii, tumeongeza ufikiaji kutokana kwa wateja wetu na wadau wengine kwa huduma bora kwa wateja.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT
TAARIFA YA AFISA MKUU MTENDAJI, CIC GROUP

CIC Group inabaki kuwa kiongozi wa ushirika wa bima katika bara Afrika. Tunaendelea kufanya kazi kwa karibu na vyama vya ushirika, kuwapa bima na huduma za kifedha kwa ajili yao ili kuimarisha biashara zao.

Mbali na uuzaji wa bima kwa vyama vya ushirika na wateja wetu wengine, tunapeana dhamana ya ziada ikiwa ni pamoja na mafunzo ya ufahamu wa kifedha na kupunguza hatari. Hii inaendelea kuweka bidhaa zetu katika soko kama bidhaa inayojali maslahi ya wateja wetu na yenye msikivu. Tunajitahidi kutoa msaada huu kwa jinsi unavyoshikilia dhamira yetu ya kuwezesha watu kufikia usalama wa kifedha

CIC Group itaendelea kukua na kuchapisha matokeo yakuvutia tunapopanua biashara zetu na kutoa uzoefu wa kipekee wa wateja.

Hitimisho

Kwa niaba ya timu ya usimamizi na niaba yangu nawashukuru sana wateja wetu kwa uaminifu na imani yao nasi. Napenda pia kuishukuru Bodi kwa kujitolea, msaada na ushauri wa busara.

Kwa wafanyikazi wenzangu nawashukuru kwa kujitolea kwa jukumu na huduma bora ambayo inaendelea kuifanya CIC Group kuwa mhudumu muhimu katika Sekta ya Bima.

Mwishowe, shukrani zangu zinaenda kwa wenzi wetu na wanahisa kwa ushirikiano ulioendelea na ninatarajia kufanikiwa mwaka wa 2020 na zaidi.

Asante na Mungu awabariki.

Patrick Nyaga
Afisa Mkuu Mtendaji, CIC Group

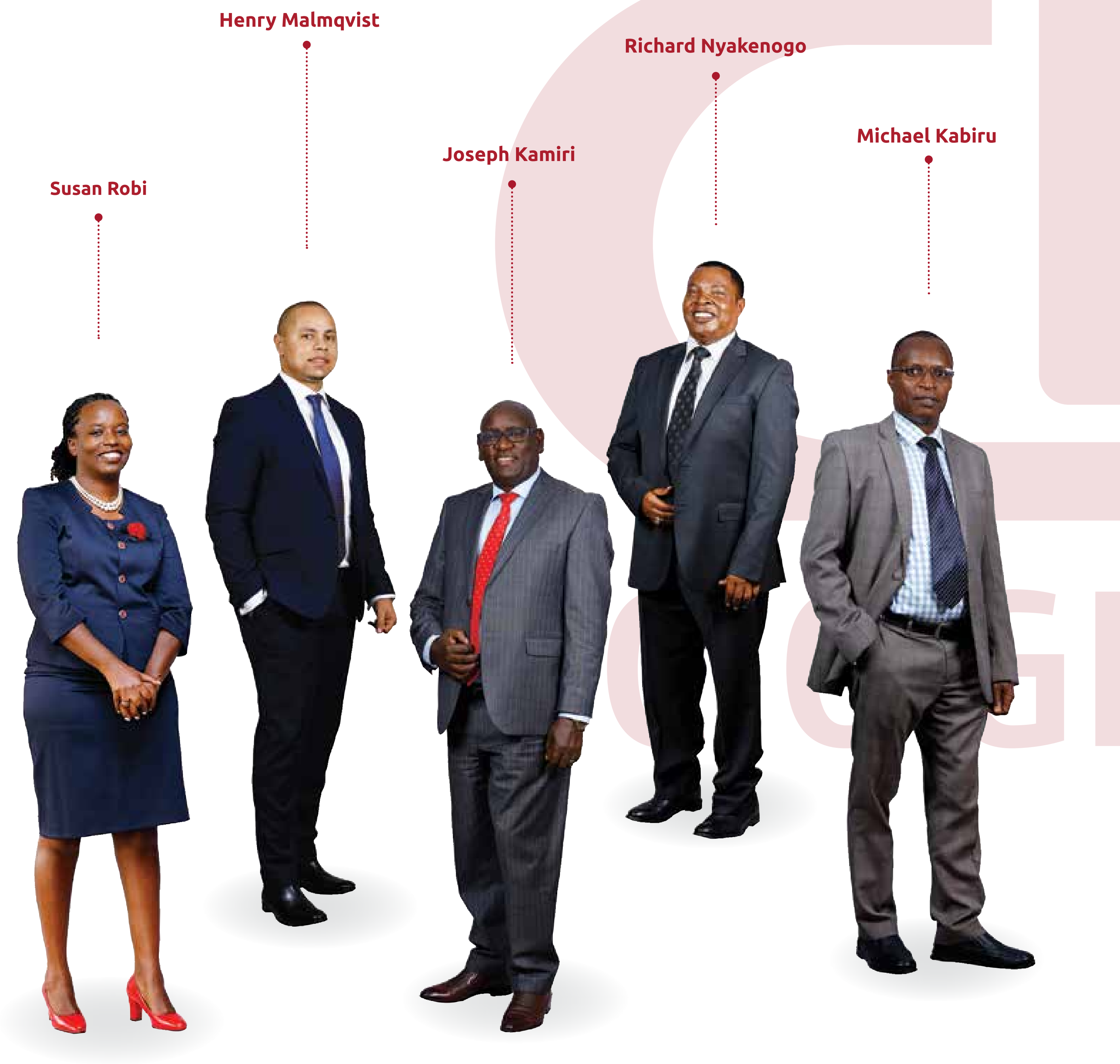
AKI Awards Overall Winner 2019

Group Life Company of the Year,
AKI Group Life Best Practice

SENIOR MANAGEMENT


Gail Odongo
Chrispinus O. Mugwang'a
Muyesu Luvai
Andrew Murunga
Pamela Oyugi

SENIOR MANAGEMENT




Henry Njerenga
Michael Mugo
Salome Wambui
Kang'e N. McDonald
Mary Wanga
Dickson Ireri

SENIOR MANAGEMENT

Patrick Nyaga	Mr. Patrick Nyaga, aged 52 is the Group Chief Executive Officer. He 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.
Stanley Mutuku	Stanley aged 46, 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	Jack, aged 57, joined CIC Insurance Group in 2007 as the Operations and Training Manager. Currently he is the Acting 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 Chartered 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.
Grace Nzivwa	Grace aged 50, is the Ag. Managing Director CIC General Business. She holds a Master's degree in Business Administration (Strategic Management) from Daystar University and B.com (insurance option) from UON. She is A Fellow of the Insurance Institute of Kenya - FIIK and an Associate of the same Institute (AIIK). Mrs. Mundu is highly skilled in insurance and marketing with over 24 years' experience in the insurance industry. She joined CIC in 1998 and has served in various capacities culminating to the current position.
Japheth Omare	Japheth aged 43, is the Managing Director, CIC Africa Uganda Ltd. He holds a Bachelor of Commerce (Insurance Option) degree, University of Nairobi. In addition, he is a qualified Chartered Insurer (ACII), a member of the Chartered Insurance Institute, London, UK and Insurance Institute of Kenya (IIK). He has certification in several Leadership programs that include; Program for Management Development at Strathmore University, Corporate Governance from Centre for Corporate Governance. Japheth has over 14 years' experience in the financial Industry. He joined CIC in 2015.
Andrew Murunga	Murunga aged 43, 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.

Chrispinus O. Mugwang'a

Chrispinus O. Mugwang'a aged 47, 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 47, 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 52, 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 CDI-Africa 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.

Muyesu Luvai

Muyesu aged 42, is the Group Chief Internal Auditor. 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 CFO on 3rd February 2020, Muyesu served as Chief Internal Auditor, looking at company operations at a wide scale, providing solutions from a business strategy perspective while seeking to enhance the effectiveness of governance, risk management and control processes. Before joining CIC in 2008, Mr. Luvai worked for Deloitte in the Audit & Assurance Division, obtaining extensive experience in auditing a wide variety of international and local organisations drawn from both the private and public sectors. Prior to joining Deloitte, Mr. Luvai had a stint in the oil and gas industry working in the Finance Department of Dalbit Petroleum Limited.

SENIOR MANAGEMENT

Susan Robi	Susan aged 41, 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 in 2011.
Henry Malmqvist	Henry aged 40, 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	Joseph aged 53, is the General Manager - Business Initiatives Execution & 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.
Richard Nyakenogo	Richard aged 52, 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 Co-operators (KSPC). He was involved in the transformation of Sacco's form Back office to Front office (FOSA). He joined CIC in 1999
Michael Kabiru	Michael aged 53, is the General Manager - Finance. He holds a Master of Business Administration Degree in Strategic Management and a Bachelor of Commerce Degree in Business Administration, both from UON. He is also a Certified Public Accountant of Kenya (CPA-K), a member of the Institute of Directors (IODK) and a council member of Kenya Institute of Credit Management (ICM-K). He has over 27 years' experience in the Finance, Accounts & Credit Control, which includes 23 years in the Insurance Industry. He joined CIC in 2014. .
Henry Njerenga	Henry aged 50, is the Group General Manager - Branch Distribution. He has over 25 years of experience working in the insurance sector in various fields such as Underwriting, Sales, Marketing and Customer Service. Henry has implemented for CIC Group the Customer Satisfaction Index (CSI) which has brought significant improvements in customer care operations. He is a graduate of The Management University of Africa (MUA) - Executive Bachelors of Business Management (EBBM). He holds a Diploma in Marketing Management (DMM) from the Kenya Institute of Management in addition to various programs attended over time including in the corporate governance area. He is also a full member of good standing of KIM holding title MKIM. He is a member of Audit Risk & Governance committee of KIM and have served in the National Council including other committees of the board for over ten years.

Salome Wambui	Salome aged 33, 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 in 2014.
Ms. Mary Wanga	Ms. Mary Wanga aged 52, is the Company Secretary and an Advocate of the High Court of Kenya with over 19 years' experience both as a practicing and corporate lawyer. She joined CIC Group Plc in 2008. Ms. Wanga is a Certified Public Secretary CPS (K) and holds a Bachelor of Degree in Law, Bachelor of Social Legislation and Post Graduate Diploma in Kenya Law and Diploma in Insurance (AIIK). She is a member of the Institute of Directors Kenya, An Associate of Insurance Institute of Kenya (AIIK), Law Society of Kenya, ACIArb and ICS.
Michael Mugo	Michael Mugo aged 49, 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 corporate leadership and management in the insurance sector. He is also a Certified Trainer with the Centre for Corporate Governance – Kenya, and is an ardent advocate for the application of best practice in Corporate Governance within our 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.
Kang'e N. McDonald	Kang'e N. McDonald aged 40, is the General Manager - Medical. He holds a Master's Degree (Msc) in Finance and Investments, a Bachelor's Degree in Finance and Accounting, a post graduate Diploma from the Kenya Institute of Management and various professional qualifications including Certified Credit Professional (CCP) and Certified Secretary (CS) and a Certified Public Accountant (CPA). He is member of the Institute of Certified Public Accountants (ICPAK). He is also a graduate of the Management Advancement Program from the University of Witwatersrand (SA) and is a researcher on transient advantages and dynamic capabilities in relation to business performance. Kang'e has a wealth of experience in various sectors including insurance and healthcare delivery, NGO management as well as in the consulting services.
Dickson Ireri	Ireri aged 54, is the General Manager - Operations, CIC General Insurance Company Limited. He holds a Bachelor of Commerce (Accounts Option) and a Masters of Business Administration (MBA). He is also an associate of Insurance Institute of Kenya (AIIK). Mr. Ireri has been in the insurance industry for 24 years. He joined CIC in 1992.

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

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 year ended 31st December 2019 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
30th March 2020

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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, the Capital Markets Authoity 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.

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). Protection and enhancing 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.
(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) Committee 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 shareholders exercise decision making powers at the Annual General Meeting ("AGM"). The rights and duties of the shareholders at a duly convened AGM are defined in the Companies Act, 2015 and the Articles of Association of the Company whose powers include, approval of the Annual financial statements, approval of a dividend, nomination and election of directors.

The Company convenes the AGM annually with a preference to convene it before the end June.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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 to 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's 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

The Board reviews 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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 was the Chair of the Group's Board and was first appointed in 2009. 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;
(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 twelve (12) directors: Japheth Magomere, OGW, Peter Nyigei, Michael Wambia, Gordon Owour, Harrison Githae (retired on 22/5/2019), Jonah Mutuku, Rosemary Githaiga, James Njue, Jyoti Patel, John Mbitu (appointed on 1/6/2019 to fill a casual vacancy left by the resignation Harrison Githae), Mary Mungai (retired on 22/5/2019), Philip Lopokoiyit (retired on 22/5/2019), and Tom Gitogo (resigned on 9/10/2019).

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.

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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

The Governance and Human Resource Committee has developed a Board matrix setting out the mix of skills and diversity of the Board. The matrix is used to evaluate whether the collective skills and experience of the directors meet the Group's current and future requirements. If the Board determines that new or additional skills are required, appropriate training is conducted to empower the Board meet its obligations. The Board, through the Nominations Committee, strives to ensure that the Company has the right mix of skills and experience for the Company to achieve its strategic aim of enabling people achieve financial security.

The Board also focuses on ensuring its takes advantage of, and benefits from, its diversity of skills, backgrounds and experiences. The Company's philosophy is that the Board as a collective group should exceed the individual contributions of its members. The Board fosters this philosophy with collaborative and open discussion where each director as a high-performing individual is expected to make a valuable contribution and to provide an alternative perspective, even where the topic is outside that director's attributed skills and experience.

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.

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,

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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 meetings, 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, Gail Odongo was the Company Secretary.

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.

CORPORATE GOVERNANCE STATEMENT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

	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, make 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. scrutinizing, approving the Group's annual budget, reviewing and providing oversight on all major finance and investment activities of the Group and provide 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 • Harrison Githae* • Tom Gitogo* *Retired from the Committee	The Committee is comprised of four (4) members, three (3) of whom are independent non-executive directors two of whom hold professional qualifications in accounting. The members during the reporting period were: • Jyoti Patel (Chair) • Peter Nyigei • Judith Oluoch • Philip Lopokoiyit* *Retired from the Committee	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 • Tom Gitogo* • John Mbitu* • James Njue* *Retired from then Committee
Meetings	The Committee meets at least 4 times in a year. During the period under consideration the committee met fifteen (15) 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 six (6) times

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

The table below shows attendances at Board, committee meetings by directors during the year ended 31 December 2019. 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	14	15	5	6
Japheth Magomere	14	14		6
Peter Nyigei	13		5	
Michael Wambia	14	15		
Gordon Owour	14	15		
Rosemary Githaiga	14			6
Jyoti Patel	14		5	
John Mbitu	8	9		2
Jonah Mutuku	14	15		
James Njue	13			2
Philip Lopokoiyit*	3		2	
Harrison Githae*	3	4		
Mary Mungai*	4			
Tom Gitogo*	9	10		3
Edwin Otieno				6
Cornelius Ashira				6
Judith Oluoch			5	
Julius Nyaga				4

*Retired during the financial period under consideration.

COMMITTEE CHARTERS

Each standing Committee operates in accordance with a written Charter approved by the Board and reviewed as 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

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

- Risk Management Policy
- Diversity Policy
- Stakeholders Management Policy
- Procurement Policy

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
- 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 and 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 managements' 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 appraises 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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 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

CIC 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. CIC 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. Our continued Investment in these areas provides all our customers, partners and stakeholders with secure access to our insurance and asset management products and services.

Procurement

We have 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 CIC Insurance Group mission and operations. The policy is designed to ensure that procurement at CIC Group is conducted in a transparent manner that promotes fair competition, instils integrity, transparency and fairness while eliminating arbitrariness in the entire process. This will ensure increased confidence in the process by shareholders, staff, vendors and the general public.

The CIC Group Procurement 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 although, by way of a 'dotted-line' it 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 matter are potentially material and price sensitive and to determine whether those matters are required to be disclosed to the market.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

The key overriding objectives of this policy are:

- All Group personnel are aware of the Company's obligations
- Accountability for timely disclosure of material information

Shareholders and the market are kept informed of price sensitive information affecting the company

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 further 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.

Further, 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.

b) Investor Briefings

The Group holds press briefings to provide both institutional and corporate investors with an /accurate account of the Group's financial state of affairs upon which they can make an informed buy or sell decision.

c) 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. Further 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 31 DECEMBER 2019

CONSOLIDATED TOP TEN SHAREHOLDERS OF CIC INSURANCE GROUP PLC AS AT 31 DECEMBER 2019

			Year 2018	Year 2019	
	Account ID	Shareholder Name	Shareholding	Shareholding	Category
1	100197319	CO-OPERATIVE INSURANCE SOCIETY LIMITED	1,943,441,304	1,943,441,304	LC*
2	100101473	GIDEON MAINA MURIUKI	131,724,304	123,037,304	LI**
3	100099345	STANDARD CHARTERED NOMINEES NON-RESIDENT AC 9011	24,422,040	24,422,040	FC***
4	100072253	PATRICK NJOGU KARIUKI	3,681,240	20,881,229	LI
5	100318324	WEDA WELTON	15,556,800	15,556,800	LI
6	10003482	NIC CUSTODIAL SERVICES A/C 077	15,481,560	15,481,560	LC
7	100182627	NELSON CHEGE KURIA	13,909,800	13,909,800	LI
8	100071305	JOHN NJUGUNA NGUGI	11,041,600	11,332,100	LI
9	100312853	TOM MBUTHIA GITOGO	9,500,000	11,000,000	LI
10	100099348	KENYA REINSURANCE CORPORATION LIMITED	10,800,000	10,800,000	LC

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

TOP TEN INDIVIDUAL SHAREHOLDERS OF CIC INSURANCE GROUP PLC AS AT 31 DECEMBER 2019

	Account ID	Shareholder Name	Shareholding	Category
1	100101473	GIDEON MAINA MURIUKI	131,724,304	LI
2	100072253	PATRICK NJOGU KARIUKI	17,199,989	LI
3	100318324	WEDA WELTON	15,556,800	LI
4	100182627	NELSON CHEGE KURIA	13,909,800	LI
5	100071305	JOHN NJUGUNA NGUGI	11,332,100	LI
6	100312853	TOM MBUTHIA GITOGO	11,000,000	LI
7	100181669	WEDA & EMILY ACHIENG CHWEYA WELTON	8,880,000	LI
9	100203482	ESTATE OF STANLEY CHARLES MUCHIRI	6,453,312	LI
10	100446746	MR PATEL, BALOOBHAI; PATEL, AMARJEET BALOOBHAI PATEL	6,000,000	LI
11	100193189	NANCY WANGARI NDUNGU	5,815,000	LI

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

CIC INSURANCE GROUP PLC DIRECTORS SHAREHOLDING AS AT 31 DECEMBER 2019

		2018	2019
	NAME	**NO. OF SHARES**	**NO. OF SHARES**
1	MARY MUNGAI	-	-
2	PHILIP LOPOKOIYIT	-	-
3	JYOTI PATEL	-	-
4	PETER K. NYIGEI	12,000	12,000
5	JONAH M. MUTUKU	24,000	24,000
6	MICHAEL O. WAMBIA	36,000	36,000
7	JAMES NJIRU	48,000	48,000
8	HARRISON GITHAE	252,000	252,000
9	GORDON OWUOR	264,000	264,000
10	JAPHETH MAGOMERE	672,000	672,000
11	ROSEMARY GITHAIGA	2,589,600	2,589,600
12	TOM GITOGO	9,500,000	11,000,000
13	JOHN MBITU	-	-
	TOTAL	**13,397,600**	**14,897,600**

TOP TEN CO-OPERATIVES INSURANCE SOCIETY LIMITED CORPORATE SHAREHOLDERS AS AT 31 DECEMBER 2019

		2018		2019	
Account ID	**Name**	**Balance**	**%**	**Balance**	**%**
90001050	THE CO-OPERATIVE BANK OF KENYA LTD	694,056,720	35.71	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.	63,017,776	3.24	68,017,776	3.50
90000258	HARAMBEE CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD	35,234,280	1.81	56,337,445	2.90
90000005	NAWIRI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED	36,132,130	1.86	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	23,722,704	1.22	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 31 DECEMBER 2019

CIC INSURANCE GROUP SHAREHOLDER DISTRIBUTION AS AT 31 DECEMBER 2019

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
1-500	5,152	1,086,417	0.04
501-5,000	6,410	12,877,091	0.49
5,001-10,000	1,531	11,536,252	0.44
10,001-100,000	4,348	121,283,524	4.64
100,001-1,000,000	536	128,389,368	4.91
ABOVE 1,000,000	66	2,340,365,876	89.48
TOTALS	**18,043**	**2,615,538,528**	**100.00**

CATEGORY SUMMARY OF SHAREHOLDERS AS AT 31 DECEMBER 2019

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
FOREIGN COMPANIES	6	28,049,476	1.07
FOREIGN INDIVIDUALS	74	2,643,524	0.10
LOCAL COMPANIES	647	2,007,151,008	76.74
LOCAL INDIVIDUAL	17,316	577,694,520	22.09
TOTALS	**18,043**	**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 17th March, 2020 and signed on its behalf by:

Japheth Magomere, OGW,
Chairman CIC Group.

Jyoti Patel,
Director.

LIFE

Planning your **RETIREMENT**
to achieve financial security

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2019

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 financial position of the Group and its subsidiaries (together 'the group') as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the group and company keeps proper accounting records that: (a) show and explain the transactions of the group and company; (b) disclose, with reasonable accuracy, the financial position of the group and company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Companies Act, 2015.

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 such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii). selecting suitable accounting policies and applying them consistently; and

(iii). making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the board of directors on 17th March, 2020 and signed on its behalf by:

Japheth Magomere, OGW,
Chairman CIC Group.

Jyoti Patel,
Director.

DIRECTORS REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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 the business 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 herein below:

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 2018 and 2019.
2. The GCEO has a service gratuity of 31% of the annual basic pay payable at the end of the contract for each year worked.
3. The GCEO* is on a 5-year contract which commenced on 1 March 2015 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 2019, the Board was composed of the following Directors:

Executive	Non-Executive	Independent
Tom Gitogo *(Retired on 9 October 2019) **	Japheth Magomere *(Chairman)*	Jyoti Patel
Elijah Wachira *(Acting from 9 October 2019) **	Peter Nyigei *(Vice Chairman)*	Mary Mungai
	Michael Wambia	Philip Lopokoiyit
	Gordon Owuor	
	Harrison Githae	
	Jonah Mutuku	
	Rosemary Githaiga	
	James Njue	

** CEO Chief Executive Officer*

DIRECTORS REMUNERATION REPORT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

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**

Group Directors 2018 emoluments (KShs)

Name	Designation	Salary	Allowances	Retainer	Sitting Allowance	Honoraria	Board Expenses	Total
Tom Gitogo	GCEO*	53,733,340	21,117,445	-	-	-	-	74,850,785
Japheth Magomere	Chairman			2,659,714	4,310,450	600,000	371,250	7,941,414
Peter Nyigei	V/Chairman			1,174,714	1,236,471	585,714	312,159	3,309,058
Gordon Owuor	Director			1,115,314	1,678,671	578,571	262,950	3,635,506
Harrison Githae	Director			1,135,114	1,834,757	585,714	264,000	3,819,585
James Njue	Director			1,115,314	959,271	571,429	269,121	2,915,135
Jonah Mutuku	Director			1,115,314	1,666,800	571,429	308,516	3,662,059
Mary Mungai	Director			1,075,714	912,429	571,429	247,500	2,807,072
Micheal Wambia	Director			1,115,314	1,739,137	571,429	270,150	3,696,030
Philip Lopokoiyit	Director			1,115,314	869,550	578,571	208,886	2,772,321
Rosemary Githaiga	Director			1,115,314	716,100	578,571	255,750	2,665,735
Veronicah Leseya	Director			464,714	255,750	578,571	-	1,299,035
Jyoti Patel	Director			650,600	417,107		255,750	1,323,457
Grand Total		**53,733,340**	**21,117,445**	**13,852,454**	**16,596,493**	**6,371,428**	**3,026,032**	**114,697,192**

*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

Ernst & Young LLP
Certified Public Accountants
Kenya Re Towers
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REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated and separate financial statements of CIC Insurance Group PLC (the Company) and its subsidiaries (together, the Group), set out on pages 77 to 206, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of CIC Insurance Group PLC as at 31 December 2019 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Allowance for expected credit losses	
The expected credit losses on financial assets carried at amortised cost are determined under application of IFRS 9 - Financial Instruments. The Group's financial assets at amortised cost include; amounts due from related parties, loan receivables, Government securities, deposits with financial institutions, commercial papers, corporate bonds, other receivables and cash and bank balances. The impairment of these financial assets was considered to be a key audit matter because significant judgement was involved in determining the expected credit losses as disclosed in note 2(h) to the financial statements. Key areas of judgement included: • the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Group's expected credit loss model; • the identification of exposures with a significant deterioration in credit quality; • assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors; and • the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	Our audit procedures included the following: • We assessed and tested the design and operating effectiveness of the key controls over the: i. data used to determine the expected credit losses on financial assets carried at amortised cost. ii. expected credit loss model, including model build and approval, ongoing monitoring/ validation, model governance and mathematical accuracy. • We assessed the modelling techniques/ methodology against the requirements of IFRS 9 - Financial Instruments. • We assessed and tested the material modelling assumptions as well as overlays with a focus on the: i. key modelling assumptions adopted by the Group; ii. basis for and data used to determine overlays; and iii. sensitivity of the collective provisions to changes in modelling assumptions. • In addition, we assessed the adequacy of the disclosures in the financial statements.

Key Audit Matter	How the matter was addressed in the audit
Estimation of Insurance contract liabilities	
As disclosed in note 48 in the financial statements, insurance contract liabilities amounted to KShs 5.5 billion as at 31 December 2019, for the general insurance business. Valuation of these liabilities is highly judgmental because it requires several assumptions to be made with high estimation uncertainty such as loss ratios and estimates of the frequency and severity of claims. The significant accounting judgements and assumptions are further described in note 2(f). Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities. The valuation of insurance liabilities depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of insurance liabilities may arise. Consequently, we have determined the valuation of insurance contract liabilities to be a key audit matter.	We performed the following procedures: • Review of sensitivity analysis over key judgements and assumptions. • Evaluation and testing of key controls designed to ensure the integrity of the data used in the actuarial reserving process (including both current and prior year case reserve data). The controls included reconciliations between data in the actuarial reserving systems and data in the policy administration systems. • We also compared samples of claims case reserves to appropriate documentation, such as reports from loss adjusters to test the controls over the valuation of individual claims reserves. • Assessed the adequacy of the company's disclosures in respect of the assumptions used in valuation.
Valuation of Policy Holders' Liabilities	
The Group determines the liabilities it would expect in the long-term, using actuarial valuation methods and in line with the guidelines established by the Kenyan Insurance Regulatory Authority (IRA) as disclosed in note 2(e) to the financial statements, for the life assurance business. We have considered this issue as a key audit matter since estimation of the actuarial value of policyholders' benefit is complex and subjective in nature as it involves use of judgements and assumptions in relation to the discount rate, mortality, inflation bonuses, withdrawal rates and initial and subsequent expenses subject to the minimum basis prescribed in the valuation guidelines.	• We understood, evaluated and tested the design and implementation of key controls over the actuarial valuation process. • We reviewed the methodology and inputs used as well as assumptions made in determining the value of the policyholders' benefits. • We evaluated whether the valuation was carried out in accordance with the valuation guidelines as issued by the Insurance Regulatory Authority (IRA) of Kenya. • In addition, we assessed the adequacy of the disclosures in the financial statements.

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<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Adoption of IFRS 16- Leases effective 1 January 2019</td></tr>
<tr><td>IFRS 16 replaces the existing standard IAS 17 and specifies how an entity will recognize, measure, present and disclose leases, as disclosed in note(1d), note(1p) and note(13a). The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Group adopted IFRS 16 effective 1 January 2019 using modified retrospective approach. In applying this approach, the Group recognised in the balance sheet a Right-of-Use Asset and lease liability relating to the leased office space and motor vehicles.

The implementation of IFRS 16 is considered a key audit matter as the balances recorded are material and due to the judgments needed in establishing the underlying key assumptions i.e. discount rates and lease term, including termination and renewals options</td><td>Our audit procedures included the following: -

• We reviewed the assumptions used by the Group pertaining to transition options and related disclosures.

• We reviewed the assumptions used by the Group in determination of the discounting rates applied in estimating lease liabilities and Right of Use (RoU) asset.

• We tested the accuracy of the lease database by agreeing a sample of leases to lease contracts and other supporting information.

• We tested the accuracy of lease quantification through recalculation of a sample of contracts.

• In addition, we assessed the adequacy of the disclosures in the financial statements.</td></tr>
<tr><td>Related party balances and transactions</td><td></td></tr>
<tr><td>As at 31 December 2019, the company had related party loans amounting to KShs 900 million (2018: Nil).

In addition, the company had an outstanding loan balance of KShs 3.6 billion (2018: Nil) from its indirect shareholder, The Co-operative Bank of Kenya Limited. The loans were obtained mainly to enable the company to repay the corporate bond which matured on 2 October 2019.

The related party transactions and balances and borrowings are set out in note 30 and note 41 of these financial statements respectively.

We considered this as a key audit matter owing to the significance of the loans to the financial statements. We also considered the disclosures on related party transactions and borrowings to be important to the users' understanding of the financial statements.</td><td>Our procedures in relation to the related party balances and transactions included:
• Understanding the processes for managing, recording and accounting for related party transactions.
• Considering the application of accounting policies to related party transactions and balances.
• Evaluating the valuation and completeness of the related party transactions and balances through evaluation of reconciliations, source documents, and confirmations from related parties.
• Obtaining loan confirmations and agreeing the terms and conditions of the borrowings, including amounts and tenure.
• Recomputing the interest accrued on the borrowings.
• Assessing the adequacy of the disclosures in the financial statements.</td></tr>
</table>

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Other Information

The directors are responsible for the other information. The other information comprises corporate information, the Report of the Directors, Directors Remuneration Report, Corporate Governance Report, and the Statement of Director's Responsibility as required by the Kenyan Companies Act, 2015, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

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

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

The directors are responsible for overseeing the group and company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 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 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 and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 consolidated 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate 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 regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

i). in our opinion, the information given in the report of the directors on pages 3 to 5 is consistent with the consolidated and separate financial statements; and,

ii). in our opinion, the auditable part of directors' remuneration report on page 72 to 73 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Herbert Chiveli Wasike – Practising Number,1485

Nairobi, Kenya

29th April, 2020


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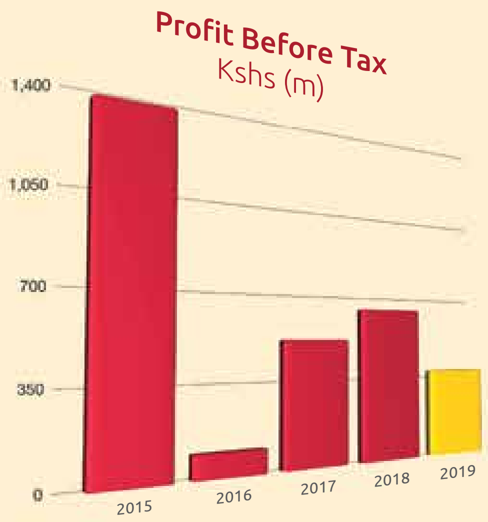
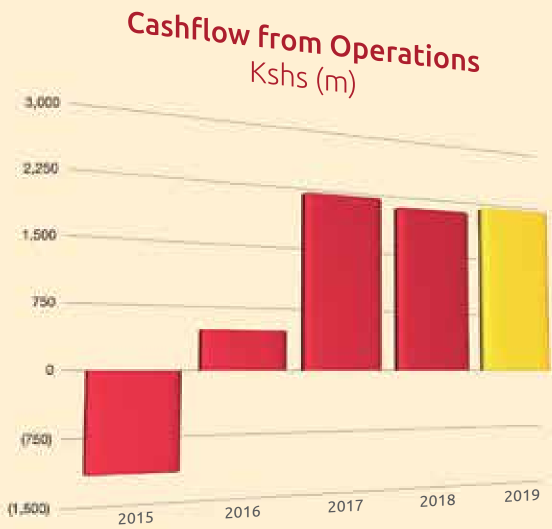
FINANCIAL HIGHLIGHTS





CONSOLIDATED AND COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Group		Company	
		2019 KShs'000	2018* Restated KShs'000	2019 KShs'000	2018 KShs'000
Gross written premiums	3 (a)	17,695,928	16,627,384	-	-
Gross earned premiums	3 (b)	17,296,700	16,945,301	-	-
Less: Reinsurance premiums ceded	3 (c)	(2,899,813)	(2,683,815)	-	-
Net earned premiums		14,396,887	14,261,486	-	-
Fees and commission income	4 (a)	1,281,654	903,839	-	-
Interest revenue calculated using the effective interest method	5 (i)	1,223,992	1,244,655	146,644	248,836
Other investment income	5 (ii)	262,748	272,809	323,000	294,000
Other gains	6	406,840	354,096	205,070	509,121
Foreign exchange gain		67,394	41,826	-	-
		3,242,628	2,817,225	674,714	1,051,957
		17,639,515	17,078,711	674,714	1,051,957
Commissions expense	4 (b)	(2,241,097)	(2,384,012)	-	-
Claims and policyholders benefits payable					
Gross benefits and claims paid	7	(10,349,563)	(9,835,932)	-	-
Gross change in insurance contract liabilities	7	(954,252)	(1,423,469)	-	-
Change in contract liabilities ceded to reinsurers		134,400	953,110	-	-
Claims ceded to reinsurers	7	1,128,946	849,922	-	-
Net benefits and claims		(10,040,469)	(9,456,369)	-	-
Operating and other expenses	8 (a)	(4,311,254)	(3,946,169)	(158,901)	(66,520)
Allowance for expected credit losses	8 (d)	28,734	(5,647)	(1,331)	-
		(16,564,086)	(15,792,197)	(160,232)	(66,520)
Finance cost	9	(670,115)	(650,000)	(646,745)	(650,000)
Share of (loss)/ profit of associate company	17	(19,725)	8,793	-	-
Profit/(loss) before taxation	8(c)	385,589	645,307	(132,263)	335,437
Taxation (charge)/credit	10	(63,998)	(164,364)	118,824	84,848
Profit/(loss) for the year		321,591	480,943	(13,439)	420,285
OTHER COMPREHENSIVE INCOME					
Other comprehensive income that will not be reclassified to profit or loss in subsequent years (net of tax)					
Fair value gain/(loss) on equity instruments at fair value through other comprehensive income	23	2,024	(2,237)	-	-
Surplus on revaluation of buildings	12	40,655	28,316	-	-
Other comprehensive income that will be reclassified to profit or loss in subsequent years (net of tax)					
Foreign exchange currency translation gain	37	228	14,462	-	-
Fair value gain on debt instruments at fair value through OCI	22(a)	90,395	96,528	-	4,887
Total other comprehensive income for the year (net of tax)		133,301	137,069	-	4,887
Total comprehensive income for the year (net of tax)		454,892	618,012	(13,439)	425,172
Earnings per share (KShs)	11	0.12	0.18	(0.01)	0.16

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 KShs'000	2018* Restated KShs'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE PARENT	309,330	470,774
NON - CONTROLLING INTERESTS	12,261	10,169
	321,591	480,943
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE PARENT	540,237	706,524
NON-CONTROLLING INTERESTS	(85,345)	(88,512)
	454,892	618,012

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 KShs'000	2018* Restated KShs'000
ASSETS			
Property and equipment	12 (a)	1,058,320	1,128,384
Right of use-asset	13 (a)	165,229	-
Investment properties	14 (a)	7,442,205	7,231,475
Intangible assets	15 (a)	246,445	249,261
Deferred tax asset	16 (a)	920,004	741,133
Investment in associate	17	126,992	146,717
Financial assets at amortised cost- Corporate bonds	19	290,233	522,067
Financial assets at amortised cost -Government securities	20	1,941,363	1,784,398
Financial assets at amortised cost -Loans receivable	21	644,534	617,504
Financial assets at fair value through other comprehensive income -Government securities	22 (a)	7,275,133	5,841,496
Financial assets at fair value through other comprehensive income - Unquoted Equity instruments	23	20,236	18,212
Financial assets at fair value through profit or loss - Quoted Equity instruments	24	1,439,666	1,329,421
Financial assets at amortised cost -Deposits and commercial paper	25 (a)	155,432	94,017
Investments in collective investment schemes at fair value through profit or loss	25 (b)	1,486,501	1,025,977
Deferred acquisition costs	26	572,515	527,710
Receivables arising out of direct insurance arrangements	27 (a)	1,583,066	1,627,426
Receivables arising out of reinsurance arrangements	27 (b)	2,347,976	1,933,652
Reinsurers share of liabilities and reserves	28	2,183,104	2,185,879
Taxation recoverable	10 (b)	179,156	-
Other receivables	29 (a)	339,829	228,692
Due from related parties	30	126,293	102,998
Deposits with financial institutions	31 (a)	3,945,655	5,253,988
Cash and bank balances	51	813,183	456,012
Total assets		35,303,070	33,046,419
EQUITY AND LIABILITIES			
Share capital	32	2,615,578	2,615,578
Share premium	33	162,179	162,179
Statutory reserve	34	1,123,620	1,009,556
Contingency reserve	35	34,016	21,017
Revaluation surplus	36	183,605	151,019
Foreign currency translation reserve	37	(298,804)	(299,031)
Fair value deficit	38	(78,900)	(171,319)
Retained earnings	39	4,105,253	4,263,011
Equity attributable the owners of the parent		7,846,547	7,752,010
Non-controlling interest	40	6,386	(13,944)
Total equity		7,852,933	7,738,066
LIABILITIES			
Deferred tax liability	16 (a)	487,991	433,930
Borrowings	41	3,748,531	5,129,914
Other payables	42 (a)	1,208,561	1,014,747
Tax payable	10 (b)	-	7,702
Lease Liability	13 (a)	193,194	-
Payables arising from reinsurance arrangements and insurance bodies	27 (c)	451,699	245,047
Deposits administration contracts	44	4,370,396	3,124,116
Actuarial value of policyholder liabilities	45	6,362,664	5,344,535
Unit linked contracts	46	514,972	474,554
Provisions for unearned premiums reserve and unexpired risks	47	4,591,548	4,192,320
Insurance contracts liabilities	48	5,520,581	5,341,488
Total liabilities		27,450,137	25,308,353
Total equity and liabilities		35,303,070	33,046,419

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

The financial statements were approved by the Board of Directors on 17th March, 2020 and signed on its behalf by:

Japheth Magomere, OGW,
Chairman CIC Group.

Jyoti Patel,
Director.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 KShs'000	2018 KShs'000
ASSETS			
Property and equipment	12 (b)	60,883	46,605
Right of use-Asset	13(a)	28,347	-
Investment properties	14 (b)	3,800,000	3,600,000
Intangible assets	15 (b)	31,138	30,673
Deferred tax asset	16 (b)	449,016	330,192
Investment in associate	17	138,400	138,400
Investment in subsidiaries	18	3,682,878	3,600,878
Financial assets at amortised cost -Loans receivable	21	9,275	35,174
Taxation recoverable	10 (b)	2,000	2,000
Investments in collective investment schemes through profit or loss	25	13,096	-
Other receivables	29 (b)	103,325	9,005
Due from related parties	30	161,897	164,085
Related party loan	30 (c)	454,704	280,186
Deposits with financial institutions	31 (b)	71,650	1,366,178
Cash and bank balances	51	3,488	1,146
Total assets		9,010,097	9,604,522
EQUITY AND LIABILITIES			
Equity			
Share capital	32	2,615,578	2,615,578
Share premium	33	162,179	162,179
Retained earnings	39	1,206,165	1,559,629
Total equity		3,983,922	4,337,386
LIABILITIES			
Lease liability	13(a)	29,954	-
Due to related parties	30	286,883	116,535
Related party loan	30(c)	900,000	-
Borrowings	41	3,748,531	5,129,914
Other payables	42 (b)	60,807	20,687
Total liabilities		5,026,175	5,267,136
Total equity and liabilities		9,010,097	9,604,522

The financial statements were approved by the Board of Directors on 17th March, 2020 and signed on its behalf by:

Japheth Magomere, OGW,
Chairman CIC Group.

Jyoti Patel,
Director.

CIC GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital KShs'000 (Note 32)	Share Premium KShs'000 (Note 33)	Statutory Fund KShs'000 (Note 34)	Revaluation surplus KShs'000 (Note 36)	Contingency reserve KShs'000 (Note 35)	Foreign Currency Translation Reserve Ksh'000 (Note 37)	Fair value reserve KShs'000 (Note 38)	Retained earnings KShs'000 (Note 39)	Due to equity holders of the parent KShs'000	Non-controlling interests KShs'000 (Note 40)	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Share Premium	Statutory* Fund Restated	Revaluation surplus	Contingency reserve	Foreign Currency Translation Reserve	Fair value reserve	Retained earnings	Due to equity holders of the parent	Non-controlling interests	Total
	KShs'000 (Note 32)	KShs'000 (Note 33)	KShs'000 (Note 34)	KShs'000 (Note 36)	KShs'000 (Note 35)	Ksh'000 (Note 37)	KShs'000 (Note 38)	KShs'000 (Note 39)	KShs'000	KShs'000 (Note 40)	KShs'000
At 1 January 2018	2,615,578	162,179	1,102,608	128,423	9,435	(417,894)	(265,610)	4,227,821	7,562,540	74,568	7,637,108
Effect of adoption of new accounting standards	-	-	-	-	-	-	-	(168,689)	(168,689)	-	(168,689)
At 1 January 2018 (Restated)	2,615,578	162,179	1,102,608	128,423	9,435	(417,894)	(265,610)	4,059,132	7,393,851	74,568	7,468,419
Transfer to retained earnings	-	-	(115,000)	-	11,582	-	-	115,000	-	-	-
Contingency reserve	-	-	-	-	-	-	-	(11,582)	-	-	-
Tax on transfer to retained earnings	-	-	-	-		-	-	(34,500)	(34,500)	-	(34,500)
Dividends declared – 2018								(313,865)	(313,865)		(313,865)
Profit for the year	-	-	21,948	-	-	-	-	448,826	470,774	10,169	480,943
Other comprehensive income for the year	-	-	-	22,596		118,863	94,291	-	235,750	(98,681)	137,069
Total comprehensive income for the year	-	-	21,948	22,596	-	118,863	94,291	448,826	706,524	(88,512)	618,012
At 31 December 2018	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

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital KShs'000 (Note 32)	Share premium KShs'000 (Note 33)	Fair value reserve KShs'00 (Note 38)	Retained Earnings KShs'000 (Note 39)	Total KShs'000
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
At 1 January 2018	2,615,578	162,179	(4,887)	1,461,018	4,233,888
Effect of adoption of new accounting standards	-	-	-	(7,809)	(7,809)
At 1 January 2018 (Restated)	2,615,578	162,179	(4,887)	1,453,209	4,226,079
Dividends declared and paid– 2018	-	-	-	(313,865)	(313,865)
Profit for the year	-	-	-	420,285	420,285
Other comprehensive income for the year	-	-	4,887	-	4,887
Total comprehensive income for the year	-	-	4,887	420,285	425,172
At 31 December 2018	2,615,578	162,179	-	1,559,629	4,337,386

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

CASH FLOWS FROM OPERATING ACTIVITIES *(continued)*

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2019 KShs'000	2018* Restated KShs'000
Cash generated from operations	50	2,466,618	2,381,134
Tax paid	10 (b)	(380,841)	(375,900)
Net cash generated from operating activities		2,085,777	2,005,234
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	1,217,189	820,591
Dividend income	5	47,148	44,586
Purchase of property and equipment	12	(66,888)	(54,611)
Purchase of investment property	14	(2,556)	(8,242)
Purchase of intangible assets	15	(19,986)	(114,905)
Purchase of corporate bonds	19	(36,075)	(11,599)
Proceeds from maturity of corporate bonds	19	274,697	5,518
Purchase of government securities at amortised cost	20	(382,466)	(446,540)
Maturities of government securities at amortised cost	20	223,678	75,000
Mortgage loans advanced	21 (a)	(2,000)	(7,382)
Mortgage loan repaid	21 (a)	102,184	181,730
Other staff loans advanced	21 (b)	(351,067)	(170,987)
Other staff loan repaid	21 (b)	219,053	212,472
Purchase of government securities at fair value through other comprehensive income	22	(1,530,422)	(2,241,606)
Maturity of government securities at fair value through other comprehensive income	22	187,180	1,490,425
Purchase of equity investment at fair value through profit or loss	24	(305,553)	(411,730)
Proceeds from sale of equity investments at fair value through profit or loss	24	277,728	78,540
Additions in deposits with non-financial institutions	25(a)	(218,726)	(9,413)
Proceeds from maturities in deposits with non-financial institutions	25(a)	159,226	1,546
Additions to collective investment schemes	25(a)	(1,529,078)	(321,862)
Maturities of collective investment scheme	25(a)	1,146,161	517,223
(Decrease)/Increase in deposits with financial institutions (excluding cash and cash equivalents)	31	(1,416,332)	809,277
Net cash (used in)/generated from investing activities		(2,006,905)	438,031
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from bank borrowing	41	4,500,000	-
Repayment of borrowings	41	(900,000)	-
Repayment of Corporate Bond	41	(5,000,000)	-
Repayment of principal portion of lease liability	41	(54,827)	
Interest paid	41	(650,000)	(650,000)
Interest paid on leases	13(a)	(28,334)	-
Dividends and withholding tax paid	43	(328,971)	(348,472)
Net cash used in financing activities		(2,462,132)	(998,472)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,383,260)	1,444,793
Effect of foreign exchange translations		(7,929)	634
CASH AND CASH EQUIVALENTS AT 1 JANUARY		4,322,800	2,877,373
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	51	1,931,611	4,322,800

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2019 KShs'000	2018 KShs'000
(Loss)/profit before taxation		(132,263)	335,437
Adjustments for:			
Expected credit losses on other receivables		-	2
Expected credit losses on deposits with financial institutions		(250)	(1,186)
Expected credit losses on related parties		(1,081)	1,796
Interest income	5	(146,644)	(248,836)
Interest expense	10	641,781	650,000
Depreciation on property and equipment	12	20,415	18,335
Interest expense on leases	13	4,964	-
Fair value gains on revaluation on investment property	14	(200,000)	(491,758)
Fair value loss on disposal of government securities		-	4,887
Fair value gain on Collective investment schemes	25	(1,016)	-
Amortisation of intangible assets	15	6,606	6,509
Amortisation of bond and loan expenses	41	26,836	23,385
Amortisation of leases expense	13	21,753	
Dividend income	5	(323,000)	(294,000)
Working capital changes;			
Increase in other receivables		(94,320)	(7,942)
Decrease in related party balances		899,099	26,403
Increase/(decrease) in other payables		29,066	(8,312)
Cash generated from operations		751,946	14,720
Taxation paid		-	-
Net cash generated from operating activities		751,946	14,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	146,644	248,836
Purchase of property and equipment	13	(34,693)	(11,339)
Purchase of investment property	14	-	(8,242)
Purchase of intangible assets	15	(7,071)	(22,565)
Investment in subsidiaries	18	(82,000)	(72,241)
Addition to Collective Investments	25	(12,080)	-
Disposal of government securities		-	35,113
Mortgage loan repaid	21 (a)	25,331	9,664
Other staff loans repaid	21 (b)	568	29,080
Proceeds from maturities in deposits with non-financial institutions	25	-	888
Decrease in deposits with financial institutions (excluding cash and cash equivalents)		250	(6,615)
Dividend received		323,000	294,000
Net cash generated from Investing activities		359,949	496,579
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from bank borrowing	41	4,500,000	-
Repayment of borrowings	41	(900,000)	-
Repayment of corporate bond	41	(5,000,000)	-
Repayment of principal portion of lease liability	13(a)	(20,146)	-
Interest paid	41	(650,000)	(650,000)
Interest paid on leases	13(a)	(4,964)	-
Dividends paid	43	(328,971)	(348,471)
Net cash used in financing activities		(2,404,081)	(998,471)
DECREASE IN CASH AND CASH EQUIVALENTS		(1,292,186)	(487,172)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		1,367,324	1,854,496
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	51	75,138	1,367,324

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

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

(a) Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, except for available –for sale investments, 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 consolidated financial statements comprise the statement 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 the 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.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying 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.

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

(b) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. 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
- The ability to use its power over the investee to affect its returns

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included/excluded in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

At company level, the investment in subsidiary is presented as an asset in the statement of financial position and measured at cost.

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 into 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
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Group financial statements reflect the result of the consolidation of the financial statements of the group and its subsidiaries, CIC General Insurance Limited, CIC Life Assurance Limited, CIC Asset Management Limited, CIC Africa Insurance (SS) Limited, CIC Africa (Uganda) Limited, CIC Africa Co-operatives Insurance (Malawi) Limited details of which are disclosed in note 18, made up to 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(b) Basis of consolidation *(continued)*

(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 and company's investment in its associate is accounted for using the equity method of accounting.

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.

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.

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

(c) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

On 1 January 2019, CIC Insurance Group PLC adopted the following new standards, new Interpretations and amendments to standards.

	Effective for accounting period beginning on or after
Effective for accounting period beginning on or after	
IFRS 16 Leases	1 January 2019
IFRIC Interpretation 23 Uncertainty over income tax treatments	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation	1 January 2019
AIP IFRS 11 Joint Arrangements - Previously held Interests in a joint operation	1 January 2019
AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity	1 January 2019

Except adoption of IFRS 16 Leases and IFRIC Interpretation 23 Uncertainty over income tax treatments as discussed below, all the other amendments and annual improvements did not have an impact on the entity.

IFRIC 23 Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since Group operates in a simple environment, it assessed whether the Interpretation had no impact on its financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to income tax. The Company's tax filings include income tax filings and the taxation authorities may challenge those income tax treatments. The Group determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

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

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

IFRS 16, 'Leases'

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group has lease contracts for various branches. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating leases. Refer to Note 1(p) for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases. Refer to Note 1(p) for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application as well as low value assets.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

The Impact on transition is summarised below.

	Group 01-Jan-19 KShs'000	Company 01-Jan-19 KShs'000
Increase in Right of use assets	248,021	50,100
Increase in Long Term Lease Liability	164,860	24,990
Increase in Short Term Lease Liability	83,161	25,110

The adoption of IFRS 16 had no impact on the Group's retained earnings.

When measuring lease liabilities for leases classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019.

The incremental borrowing rate used was 13%.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	KShs'000 Group	KShs'000 Company
Operating lease commitments as at 31 December 2018	248,021	50,100
Weighted average incremental borrowing rate as at 1 January 2019	13%	13%
Discounted operating lease commitments as at 1 January 2019		
Lease liabilities as at 1 January 2019	216,120	43,656

Standards issued but not yet effective:

	New or revised standards and interpretations:
Effective for accounting period beginning on or after	
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
The Conceptual Framework Financial Reporting	1 January 2020
IFRS 17 Insurance contracts	1 January 2023*
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred indefinitely

*The new proposed date is 2023

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Group except for IFRS 17.

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

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non- distinct investment components) are not presented in the income statement but are recognised directly on the statement of financial position.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, newly proposed date 1 January 2023 with comparative figures required. Early application is permitted; provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group has started a project to implement IFRS 17 by upgrading its accounting and underwriting systems. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(e) Revenue recognition

Gross premiums

Gross recurring premiums on life 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. 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. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. 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.

Reinsurance premiums

Gross reinsurance premiums on life are recognised as an expense when payable or on the date on which the policy is effective. Gross general written premiums under life and general 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.

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(e) Revenue recognition *(continued)*

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.

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, then 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.

Financial services income

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.

(f) Claims and policy holders benefits expenses

Gross benefits and claims paid

Gross benefits and claims for life insurance contracts 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.

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 include additional provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the Group's experience as per the requirement of Kenyan Insurance Act and related regulations this is in line with the requirements of IFRS 4.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(g) 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).

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) 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 net 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 is recorded in the statement of profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

DACs are derecognised when the related contracts periods elapses.

(i) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying

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

(i) Insurance receivables *(continued)*

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.

Reinsurance contracts held

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

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), 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. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(j) 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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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 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 lead 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(k) 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.

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

is 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.

(l) 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 functional currency and the 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 a different presentation currency using the following procedure: all amounts (i.e. assets, liabilities, equity items, income and expenses, including comparatives) 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).

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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.

(m) Property and equipment

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

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:

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

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

(m) Property and equipment *(continued)*

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 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.

(n) Investments 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.

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.

(o) Intangible assets

Software licence costs and computer software that is 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.

Software's under implementation are recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such software's includes professional fees and costs directly attributable to the software. The software's 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).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(o) Intangible assets *(continued)*

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 intangible is determined in accordance with the requirements for determining the transaction price in IFRS 15.

(p) Accounting for leases

Policy applicable as of 1 January 2019

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

At inception of a contract, 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.

This policy is applied to contracts entered, on or after 1 January 2019.

Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. For the leases of property, the Group has elected not to separate the lease and non-lease components.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment

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

losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines its incremental borrowing rate as the rate of interest 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.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

The Group presents right-of-use assets and lease liabilities as a separate line in the statement of financial position.

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.

Policy applicable before 1 January 2019

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they incurred. 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 has operating leases.

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.

(q) 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.

(r) 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.

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

(r) Employee benefits *(continued)*

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.

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:

- Actions 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(s) 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 decision 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 (Board of Directors). Directors allocate resources to and assess the performance of the operating segments of the Group. The operating segments are based on the Group's management and internal reporting structure.

The directors consider the Group to comprise three business segments, general insurance business, long term insurance business and other business, and three geographical segments, in Kenya, Sudan Uganda and Malawi.

(t) 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

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

(t) Impairment of non-financial assets *(continued)*

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.

The following criteria are also applied in assessing impairment of specific assets:

The recoverable amount for the life insurance business has been determined based on a fair value less costs of disposal. The calculation requires the Group to make an estimate of the total of the adjusted net worth of the life insurance business plus the value of in-force covered business. New business contribution represents the present value of projected future distributable profits generated from business written in a period. Growth and discount rates used are suitable rates which reflect the risks of the underlying cash flows.

(u) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the claim payable plus directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired. This includes payables arising from reinsurance arrangements and insurance bodies.

(v) Financial and insurance liabilities

Insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. 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.

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and, as well as 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.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. It is assumed that premiums are earned uniformly over the contract period. The group used the 365th method in computing this reserve. The estimate of the incurred claims that have not yet been reported to the Group (IBNR) is computed using

the basic chain ladder method. The basic assumption using this method is that claims will emerge in a similar way in each development year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(v) Financial and insurance liabilities *(continued)*

Profits originated from margins of adverse deviations on run-off contracts are recognised in the profit or loss over the life of the contract, whereas losses are fully recognised in the profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made to determine whether there is any overall excess of expected claims and deferred acquisition costs (DAC) over unearned premiums by using an existing liability adequacy test as laid out under the Kenyan Insurance Act. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant nonlife insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency.

Reinsurance ceded to reinsurance counterparties

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.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.
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.

(x) 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
(x) Fair value measurement *(continued)*

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
- 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 general manager finance who discusses the basis and assumptions with the valuer. This is then approved by the group Chief finance officer. 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 disclosures have been made in note 55.

(y) 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, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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)
- Financial assets at fair value through profit or loss

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 using the effective interest (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.

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

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

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 significance 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 asset's 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 component, the Group's 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.

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.

The Group's financial assets at amortised cost includes loans and receivables, cash and cash equivalents,

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

deposits with financial institutions, commercial papers, corporate bonds, other receivables, government securities at amortised cost and due from related parties.

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) is 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.

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

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

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 12mECL 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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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 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.

The Group has applied the simplified approach in estimating expected credit losses on the other assets such as deposits with financial institutions, related party receivables, commercial papers, corporate bonds and other receivables.

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.

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

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's 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.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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 an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- 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.

(aa) 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.

(ab) 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.

(ac) 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.

(ad) 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.

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

(ae) 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 advices on the amount to be transferred to the shareholders. When a transfer is made to the shareholders, tax at the prevailing corporation rate 2019: 30% (2018:30%) is incurred.

(af) 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.

(ag) Product classification

Insurance contracts are those contracts where the Company (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 Company 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 as the insurance the contract 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
- 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
- The profit or loss of the company, fund or other entity that issues the contract

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(ah) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading

Expected to be realised within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting periods

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities

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

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:
- Capital management - Note 54
- Financial risk management and policies - Note 55.2
- Sensitivity analyses disclosures - Note 55.1

Estimates and assumptions

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.

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

(a) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and price volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 56 for further discussion.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required 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. Further details on taxes are disclosed in Note 16.

(c) 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. These 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).

(d) Operating lease commitments – Group as lessor

The Group has entered commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(e) 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 base mortality and morbidity on standard industry and Kenya's mortality tables which reflect historical experiences, adjusted when appropriate to reflect.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(e) Valuation of life insurance contract liabilities *(continued)*

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. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

(f) 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 liability 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 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.

(g) 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 the 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 off similar nature location and condition among other factors which are highly judgemental

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

(h) 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).

Therefore, the Group does not track changes in credit risk, but instead 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.

(i) Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP Growth rate
- Central Bank Base rates

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.

(j) Revenue from contracts with customers

The Group made judgement in determining what the performance obligation was and the timing in which revenue is recognised. The Group based in assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions may change due to circumstances arising that are beyond the control of Group. Such changes are reflected in the assumptions when they occur.

(k) Contingent liabilities

The Group is exposed to various contingent liabilities in the normal course of business including several legal cases. The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a present obligation has been established. Judgement and

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

(k) Contingent liabilities *(continued)*

assumptions are required in:

- assessing the existence of a present obligation (legal or constructive) because of a past event,
- assessing the probability that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Estimating the amount of the obligation to be paid out.

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

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).

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

(k) Contingent liabilities *(continued)*

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 non-insurance related businesses. 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 2019

3. SEGMENT INFORMATION (continued)

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

		2019 KShs'000	2018 KShs'000
(a)	Gross written premiums		
	General insurance business		
	Motor	4,575,646	5,029,135
	Medical	4,223,825	3,295,866
	Fire	919,442	890,309
	Personal accident	305,300	311,859
	Theft	649,233	556,577
	Public liability	109,658	115,957
	Marine	115,592	137,701
	Engineering	456,448	239,155
	Miscellaneous accident	492,939	255,880
	Others	408,314	408,260
	Sub - total	12,256,397	11,240,699
	Life assurance business		
	Ordinary life	1,462,718	2,077,346
	Group life	3,976,813	3,309,339
	Sub - total	5,439,531	5,386,685
	Total gross written premiums	17,695,928	16,627,384
(b)	Gross earned premiums		
	General insurance business		
	Motor	4,679,622	5,276,083
	Medical	3,882,890	3,151,437
	Fire	907,873	946,034
	Personal accident	310,160	302,437
	Theft	624,075	543,031
	Public liability	104,634	186,706
	Marine	123,275	141,555
	Engineering	401,489	319,093
	Miscellaneous accident	506,913	219,447
	Others	423,988	500,832
	Sub - total	11,964,919	11,586,655
	Life assurance business		
	Ordinary life	1,462,718	2,052,690
	Group life	3,869,063	3,305,956
	Sub - total	5,331,781	5,358,646
	Total gross earned premiums	17,296,700	16,945,301

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

3. SEGMENT INFORMATION *(continued)*

(b) Gross earned premiums *(continued)*

Reconciliation between gross written premiums and gross earned premiums

	2019 KShs '000	2018 KShs '000
Gross written premiums	17,695,928	16,627,384
Movement in Unearned Premium Reserve (note 47)	(399,228)	317,917
Gross earned premiums	17,296,700	16,945,301

(c) Reinsurance premiums ceded

	2019 KShs '000	2018 KShs '000
General insurance business class		
Motor	177,008	167,260
Medical	141,998	81,100
Fire	549,275	489,582
Engineering	357,897	161,027
Personal accident	59,701	66,603
Theft	178,333	33,581
Miscellaneous accident	440,992	226,220
Marine	29,683	60,594
Public liability	24,410	127,716
Others	52,513	141,007
Reinsurance share of increase in UPR (note 47)	(131,261)	184,410
Sub – total	1,880,549	1,739,100
Life assurance business class		
Group life	1,001,044	927,575
Ordinary life	18,220	17,140
Sub – total	1,019,264	944,715
Total reinsurance premiums	2,899,813	2,683,815

(d) Investment income:

General insurance business class

(i). Interest revenue calculated using the effective interest method

	2019 KShs '000	2018 KShs '000
Interest from government securities at amortised cost – debt instruments	86,117	74,756
Interest on financial assets at amortised cost - corporate bonds	1,321	-
Interest from debt instruments at FVOCI	193,004	224,213
Amortisation of financial assets	2,291	2,279
Interest on staff loan receivables	5,465	8,401
Interest on bank deposits	248,587	270,657
Interest from deposits and commercial papers	9,175	7,949
	545,960	588,255

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

3. SEGMENT INFORMATION *(continued)*

(d) Investment income: *(continued)*	2019 KShs'000	2018 KShs'000
(ii). Other investment income		
Fair value loss on government securities reclassified from prior periods	-	(11,222)
Dividend income from equity instruments at FVPL	23,994	26,131
Rental income from investment properties	135,724	164,170
Sub – total	159,718	179,079
Life assurance business class		
(i) Interest revenue calculated using the effective interest method		
Interest from government securities at amortised cost – debt instruments	76,088	40,703
Amortisation of financial assets at amortised cost	(4,114)	(2,111)
Interest on financial assets at amortised cost - Corporate bonds	20,850	32,879
Interest on financial assets at fair value through other comprehensive income – debt instruments	283,319	206,704
Interest on deposit with financial institutions	55,922	53,990
Interest on staff loan receivables	27,495	18,489
	459,560	350,654
(ii) Other investment income		
Dividend income	22,528	17,811
Rental income from investment properties	35,157	45,918
Sub – total	57,685	63,729
Other business category		
(i) Interest revenue calculated using the effective interest method		
Interest from government securities at amortised cost	22,646	13,140
Interest on financial assets at amortised cost - Corporate bonds	7,365	8,156
Interest on deposits and commercial papers	74,561	20,071
Interest on deposit with financial institutions	148,319	280,714
Interest on staff loan receivables	992	18,627
	253,883	340,708
(ii) Other investment income		
Interest on deposits and commercial papers	2,929	-
Dividend income	626	644
Fair value loss on corporate bonds	-	(539)
Fair value on equity investment at fair value through profit or loss	1,167	(5,066)
Other income	5,212	-
Sub – total	263,817	335,747
Total investment income (i&ii)	1,486,740	1,517,464

3. SEGMENT INFORMATION *(continued)*

(e) Claims and policy holders' benefits expenses

	2019 KShs'000	2018 KShs'000
General insurance business class		
• Gross benefits and claims paid	7,570,887	6,855,168
• Claims ceded to reinsurers	128,589	953,110
• Gross change in insurance contract liabilities	(412,396)	(240,711)
• Change in contract liabilities ceded to reinsurers	(134,400)	(1,052,109)
Sub – total	7,152,680	6,515,458
Life insurance business class		
Gross incurred claims	2,778,716	2,524,349
Add: Reinsurance recoveries	(736,564)	(687,102)
Less Gross change in actuarial reserves	888,805	1,093,652
Reinsurer's share of change in actuarial reserves	(43,169)	10,012
Sub – total	2,887,788	2,940,911
Total claims and policy holders' benefits expenses	10,040,468	9,456,369

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

3. SEGMENT INFORMATION *(continued)*

Other disclosures:

	General Insurance business KShs'000	Life Assurance Business KShs'000	Other business KShs'000	Total KShs'000
31 December 2019				
Reportable segment profits after tax	278,110	114,064	(70,583)	321,591
Reportable segment total assets	13,618,344	14,579,490	7,105,236	35,303,070
Less:				
: 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	12,001,462	14,010,601	5,551,212	31,563,275
Reportable segment total liabilities	9,394,873	12,566,607	5,488,657	27,450,137
Less: related party balances	(29,391)	(10,153)	-	(39,544)
Net	9,365,482	12,556,454	5,488,657	27,410,593
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
31 December 2018				
Reportable segment profits after tax	380,290	166,368	78,705	625,363
Reportable segment total assets	12,848,841	12,185,535	7,941,357	32,975,733
Less:				
: Related party balances	17,880	107,362	(22,244)	102,998
: Investment in subsidiaries	(1,700,000)	(800,000)	(1,272,064)	(3,772,064)
Reportable segment total assets - net	11,166,721	11,492,897	6,647,049	29,306,667
Reportable segment total liabilities	8,704,620	10,125,575	6,263,052	25,093,247
Less: related party balances	-	(28,486)	-	(28,486)
Net	8,704,620	10,097,089	6,263,052	25,064,761
Interest income	353,810	352,765	315,571	1,022,146
Interest expense	-	-	650,000	650,000
Income tax charge/(credit)	(249,779)	(22,015)	45,536	(226,258)
Fees and commission income	282,090	282,116	339,633	903,839
Depreciation of property and equipment	69,302	40,362	68,113	177,777
Amortisation of intangible assets	17,712	3,445	15,751	36,908
Property and equipment additions	25,317	6,292	23,001	54,610
Intangible assets additions	2,784	1,114	9,787	13,685

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

4. (a) Fees and commissions income

	2019 KShs'000	2018 KShs'000
General insurance business		
Engineering	106,692	50,993
Fire	239,246	166,707
Liability	4,104	6,593
Others	140,982	60,098
Sub – total	491,024	284,391
Life assurance business		
Group life	303,244	263,567
Ordinary life	3,551	19,845
Sub – total	306,795	283,412
Other business		
Fund management fees	433,678	296,832
Administration fee	48,732	37,343
Other income	1,425	1,861
Sub – total	483,835	336,036
Total	1,281,654	903,839

(b) Commissions expense*

	2019 KShs'000	2018 KShs'000
General Insurance business		
Engineering	65,088	35,956
Fire	203,865	209,893
Liability	32,631	35,768
Medical	414,987	296,714
Motor	574,485	646,425
Marine	19,516	65,266
Miscellaneous	42,506	27,784
Theft	115,360	91,659
Personal Accident	61,756	56,977
WIBA	81,733	72,268
Others	120,618	81,574
Sub – total	1,732,545	1,620,284
Life assurance business		
Group life	367,048	592,967
Ordinary Life	141,504	170,761
Sub – total	508,552	763,728
Total	2,241,097	2,384,012

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

5. INVESTMENT INCOME

GROUP	2019 KShs'000	2018 KShs'000
(i) Interest revenue calculated using the effective interest method		
Interest on financial assets at amortised cost – Government securities	184,851	128,598
Interest on deposit with financial institutions	358,627	336,995
Interest on financial assets at amortised cost - Corporate bonds	22,733	41,114
Amortisation of corporate bond (note 19)	6,803	(83)
Interest on staff loan receivables	33,952	45,517
Interest income on financial assets at fair value through OCI	474,500	427,791
- Government securities	142,526	264,723
Interest income from deposits and commercial papers		
	1,223,992	1,244,655
(ii) Other investment income		
Dividend income	47,148	44,586
Rental income from investment properties	217,423	228,223
Discount on government securities classification (note 20)	(1,823)	-
	262,748	272,809
Total (i&ii)	1,486,740	1,517,464
Investment income earned on financial assets, analysed by category of asset is as follows:		
Financial asset at amortised cost	786,791	816,864
Financial asset at fair value through OCI	476,323	427,791
Dividend income	47,148	44,586
Investment income earned on non-financial assets	176,478	228,223
Total investment income	1,486,740	1,517,464

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	2019 KShs'000	2018 KShs'000
(i) Interest revenue calculated using the effective interest method		
Interest on deposits with financial institutions	146,644	248,836
(ii) Other investment income		
Dividend Income	323,000	294,000
Total investment income	323,000	294,000

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

6. OTHER GAINS

GROUP	2019 KShs'000	2018 KShs'000
Fair value gain on investment properties (note 14 (a))	207,850	541,424
Fair value gain/(loss) on quoted equity investments at fair value through profit or loss (note 24)	82,420	(244,388)
Fair value on investment in collective investment scheme	36,312	20,071
Miscellaneous income*	80,258	36,989
	406,840	354,096
COMPANY		
Fair value gains on investment properties (note 14 (b))	200,000	491,758
Miscellaneous income	5,070	17,363
	205,070	509,121

**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

	2019 KShs '000	2018* KShs '000
Claims and policyholders benefits payable:		
Gross benefits and claims paid	(10,349,563)	(9,835,932)
Gross change in insurance contract liabilities	(954,252)	(1,423,469)
Change in contract liabilities ceded to reinsurers	134,400	953,110
Claims ceded to reinsurers	1,128,946	849,922
Net benefits and claims	(10,040,469)	(9,456,369)

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

8. OPERATING AND OTHER EXPENSES

(a) GROUP

	2019 KShs'000	2018 KShs'000
The following items have been charged in arriving at profit before taxation:		
Staff costs (note 8 (b))	1,905,680	1,762,969
Auditors' remuneration	22,545	20,000
Directors' fees	37,567	28,770
Directors' emoluments	72,469	52,232
Subsidiaries' board expenses	2,426	73,327
Depreciation of property and equipment (note 12 (a))	187,601	177,777
Amortisation of intangible assets (note 15 (a))	22,677	36,907
Impairment charge for doubtful premium receivables (note 27(a))	106,357	87,381
Depreciation on the right of use (note 13(a)	82,792	-
Premium tax	116,617	104,404
Staff welfare	334,693	391,019
Utilities	337,961	358,803
Software licence costs	63,893	75,542
Printing and stationery	58,453	85,905
Business advertising and promotion	204,080	267,290
Professional fees	214,039	180,172
Statutory levies	57,092	61,301
Professional subscriptions	4,648	49,923
Pension capitalisation	5,233	33,165
Investment management fees	1,538	3,698
Amortisation of bond expenses (note 41)	20,086	23,385
Performance incentive*	372,179	-
Other expenses*	107,464	72,199
	4,311,254	3,946,169

**Other expenses relate to tender costs, postage, donations, entertainment and purchase of newspapers.*
**Performance incentive was previously reported under commission expenses, in the current period it is classified under other operating expenses*

(b) STAFF COSTS

	2019 KShs'000	2018 KShs'000
Staff costs include the following:		
- Salaries and allowances**	1,758,841	1,636,630
- Defined contribution expense	115,471	98,509
- Termination benefits expense	4,791	1,630
- Leave pay	26,577	26,200
	1,905,680	1,762,969
Number of employees	563	509

***Included in the staff costs is salary and allowances of KShs 59 million (2018: KShs 75 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 2019

8. OPERATING AND OTHER EXPENSES *(continued)*

(c) COMPANY

	2019 KShs'000	2018 KShs'000
Utilities	4,460	200
Depreciation of property and equipment (note 13 (b))	20,415	18,335
Amortisation of intangible assets (note 15 (b))	6,606	6,509
Audit fee	4,200	4,200
Annual General Meeting expenses	9,281	1,524
Professional fees	21,811	2,529
Share registration cost	9,868	-
Depreciation on the right of use (note 13(b)	21,753	-
Amortisation of bond expenses	20,086	23,385
Amortisation of loan expenses	3,383	-
Investment management fees	1,538	6,905
Printing and Stationery	3,222	-
Advertisement and Promotion	13,306	-
Other expenses	18,972	2,933
	158,901	66,520

(d) PROFIT BEFORE TAX

GROUP

	2019 KShs'000	2018 KShs'000
The profit before tax is stated after charging:		
Depreciation of property and equipment	187,601	177,777
Amortisation of intangible assets	22,677	36,907
Audit fee	22,545	20,000
Staff costs	1,905,681	1,762,969
Provision for doubtful premium receivables	106,357	87,381

COMPANY

	2019 KShs'000	2018 KShs'000
The profit before tax is stated after charging:		
Depreciation of property and equipment	20,415	18,335
Amortisation of intangible assets	6,606	6,509
Audit fee	4,200	4,200

(e) GROUP

	2019 KShs'000	2018 KShs'000
Allowance for expected credit losses:		
• Corporate bonds (note19)	(15)	(722)
• Loans receivable –Mortgage loans (note 21(a)	(1,580)	3,523
• Other Loans (note 21(b)	(3,220)	2,743
• Deposits and commercial papers (note 25(a))	(201)	(218)
• Other receivables (note 29(a))	83	2,169
• Due to related parties (note 30)	(106)	265
• Deposits with financial institutions (note 31(a)	(23,695)	(2,113)
	(28,734)	5,647

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

9. FINANCE COST

(a) Group

	2019 KShs'000	2018 KShs'000
Interest expense on borrowings (note 41)	641,781	650,000
Interest Expense on lease liability	28,334	-
	670,115	650,000

(b) Company

	2019 KShs'000	2018 KShs'000
Interest expense on borrowings (note 41)	641,781	650,000
Interest Expense on lease liability	4,964	-
	646,745	650,000

10. TAXATION

GROUP

(a) Statement of profit or loss

	2019 KShs'000	2018* KShs'000
Current tax charge on taxable income at 30% (2018:30%)	190,875	315,161
Prior year under/(over)provision	3,108	(9,400)
Deferred tax credit	(129,985)	(141,397)
	63,998	164,364

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

COMPANY	2019 KShs'000	2018* KShs'000
Statement of profit or loss and other comprehensive income		
Deferred tax credit (note 16 (b))	(118,824)	(84,848)

(b) Statement of financial position

	2019 KShs'000	2018* KShs'000
At 1 January	7,702	43,341
Tax charge	190,875	315,161
Prior year over/Under provision	3,108	(9,400)
Tax charge on transfer to retained earnings	-	34,500
Tax paid	(380,841)	(375,900)
	(179,156)	7,702

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

10. TAXATION *(continued)*

	2019 KShs'000	2018 KShs'000
COMPANY		
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		
Profit before taxation	385,589	645,307
Tax calculated at a tax rate of 30% (2018:30%)	(184,180)	(192,892)
Prior year over provision	3,108	(9,400)
Tax effect of expenses not deductible for tax*	157,631	138,118
Tax effect of income not deductible for tax**	(30,557)	(73,511)
Tax effect on capital gains	(10,000)	(26,679)
Taxation charge for the year	(63,998)	(164,364)

The effective income tax rate is 16.6% (2018: 25.5%).

	2019 KShs'000	2018 KShs'000
COMPANY		
(Loss)/profit before taxation	(132,263)	335,437
Tax calculated at a tax rate of 30%	39,679	(100,631)
Tax effect of expenses not deductible for tax**	89,145	212,198
Tax effect on capital gains	(10,000)	(26,719)
Taxation credit for the year	118,824	84,848

The effective income tax rate is 89.8% (2018: 25.3%).

**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.*

11. 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:
Profit before taxation

	GROUP		COMPANY	
	2019	2018	2019	2018
Profit attributable to ordinary shareholders' (KShs'000)	321,591	480,943	(13,439)	420,285
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)	0.12	0.18	(0.01)	0.16

There were no dilutive shares during the year (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

12. (a) PROPERTY AND EQUIPMENT – GROUP

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	40,655	-	-	-	-	40,655
Elimination of depreciation charge on revaluation	(24,826)	-	-	-	-	(24,826)
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

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

12. (a) PROPERTY AND EQUIPMENT – GROUP

2018	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	710,468	52,885	208,389	892,589	3,472	1,867,803
Additions	4,881	713	16,319	32,698	-	54,611
Elimination on disposals	-	(9,903)	-	-	-	(9,903)
Gain on revaluation	28,316	-	-	-	-	28,316
Elimination of depreciation charge on revaluation	(24,129)	-	-	-	-	(24,129)
Foreign exchange differences on translation	(2,845)	2,663	15,920	(11,996)	310	4,052
At 31 December	716,691	46,358	240,628	913,291	3,782	1,920,750
ACCUMULATED DEPRECIATION						
At 1 January	-	38,982	173,110	450,587	386	663,065
Charge for the year (note 8)	24,129	8,691	24,064	120,515	378	177,777
Foreign exchange differences on translation	-	943	(3,551)	(11,450)	(386)	(14,444)
Eliminated on disposal	-	(9,903)	-	-	-	(9,903)
Elimination on revaluation	(24,129)	-	-	-	-	(24,129)
At 31 December	-	38,713	193,623	559,652	378	792,366
CARRYING AMOUNT						
At 31 December	716,691	7,645	47,005	353,639	3,404	1,128,384

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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

An independent valuation of the buildings in Kenya was carried out at 31 December 2019 by Crystal Valuers Limited, registered valuers, on open market value basis. And there was no revaluation surplus. CIC Plaza in South Sudan was revalued on 31 December 2019 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

2019	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & Equipment KShs'000	KShs'000
COST OR VALUATION				
At 1 January 2018	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

2018				
COST OR VALUATION				
At 1 January 2018	16,907	20,588	59,144	96,639
Additions	-	5,182	6,157	11,339
At 31 December 2018	16,907	25,770	65,301	107,978
ACCUMULATED DEPRECIATION				
At 1 January 2018	12,681	6,134	24,223	43,038
Charge for the year	4,226	6,270	7,839	18,335
At 31 December 2018	16,907	12,404	32,062	61,373
CARRYING AMOUNT				
At 31 December 2018	-	13,366	33,239	46,605

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

13. LEASES AS LEASEE

(a) GROUP

	2019 KShs'000
Right of use asset	
At 1 January	248,021
Amortization	(82,792)
At 31 December	165,229
Lease liability	
At 1 January	248,021
Accretion of interest	28,334
Lease paid	(83,161)
At 31December 2019	193,194
Amounts recognised in Profit or Loss	
Interest on lease liabilities	28,334
Depreciation expense (note 8 (a))	82,792
Amounts recognised in Statement of Cash Flows	
Payment of principal of lease liabilities	54,827
Payment of interest	28,334
Total cash outflow for leases	83,161
Company	
Right of use asset	
At 1 January	50,100
Amortization	(21,753)
At 31 December	28,347
Lease liability	
At 1 January	50,100
interest expense	4,964
Lease paid	(25,110)
At 31 December	29,954

(b) Lease liability maturity analysis

Group	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
2019						
Lease liabilities	-	19,577	54,247	144,730	-	218,554

Company	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
2019						
Lease liabilities	-	5,104	15,312	10,968	-	31,384

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

14. 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 2018	1,889,483	3,100,000	1,697,000	6,686,483
Additions	-	8,242	-	8,242
Foreign exchange differences on translation	(4,674)	-	-	(4,674)
Fair value gains (note 6)	14,666	491,758	35,000	541,424
At 31 December 2018	1,899,475	3,600,000	1,732,000	7,231,475
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

**In 2019, property market experienced marginal decline in property values owing to saturation of the property market in the areas where the investment properties are situated. Consequently, there was a slump in revaluation gains of these investment properties and as such there was reduced fair value gains in the current year.*

(b) COMPANY

	2019 KShs'000	2018 KShs'000
KAMITI LAND		
At 1 January	3,600,000	3,100,000
Additions	-	8,242
Fair value gains (note 6)	200,000	491,758
At 31 December	3,800,000	3,600,000

The group obtained a borrowing during the year and issued Kamiti land as a collateral.
Net rental income on CIC Plaza arising from operating lease arrangements has been disclosed in note 5 to the financial statements.

All investment properties except for CIC Plaza in South Sudan, were re-valued by Crystal Valuers Limited, registered valuers as at 31 December 2019 on the basis of open market value. Crystal Valuers Limited are industry specialists in valuing these types of investment properties. CIC Plaza in South Sudan was revalued on 31 December 2019 by registered valuers, Kenval Realtors Ltd on open market value basis. In arriving at the value of the investment property, the valuers used capitalization of the rental income using the year purchase method. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

On the other hand, Kiambu and Kajiado plots are based on market value that is price at which an interest in a property might reasonably be expected to be sold by a private treaty at the date of valuation assuming:

a). a willing seller and a willing buyer;
b). a reasonable period within which to negotiate the sale by taking into account the nature of the property;
c). values will remain static throughout the period;
d). the property will be freely exposed to the market within reasonable publicity;
e). no account is taken of an individual bid by a special purchaser.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance

14. INVESTMENT PROPERTIES *(continued)*

cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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	197,602,103
	Annual rent growth rate	6%
	Discounting rate	13%

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.

15. INTANGIBLE ASSETS

(a) GROUP

2019	Computer Software Total KShs'000	Work in progress* KShs'000	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

**work in progress relates to the underwriting and financial reporting software which is currently under implementation.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

15. INTANGIBLE ASSETS *(continued)*

(b) GROUP *(continued)*

2018	Computer Software Total KShs'000	Work in progress* KShs'000	Goodwill KShs'000	Total KShs'000
COST				
At 1 January	274,875	-	98,148	373,023
Additions	13,685	101,220	-	114,905
Foreign exchange differences on translation	190	-	-	190
At 31 December	288,750	101,220	98,148	488,118
ACCUMULATED AMORTISATION				
At 1 January	201,766	-	-	201,766
Charge for the year (note 8)	36,907	-	-	36,907
Foreign exchange differences on translation	184	-	-	184
At 31 December	238,857	-	-	238,857
CARRYING AMOUNT				
At 31 December	49,893	101,220	98,148	249,261

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). This was consistent with the goodwill impairment assessment for the year ended 31 December 2018. 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 2019 and 2018 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 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.

15. INTANGIBLE ASSETS *(continued)*

(c) GROUP (continued)

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	33%	19%
-year 2	26%	50%
-year 3	19%	30%
-year 4	19%	30%
-year 5	19%	28%
Terminal growth rate	19%	26%
Reinsurance rate	24%	5.2%
Discount rate	30.7%	33%
Discount rate	30%	32%
Commission and selling costs	18%	18%
Commissions earned	30%	30%
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 industry average. The rates are consistent with forecasts included in industry reports.
Reinsurance premiums growth	Based on industry average. The rates are consistent with forecasts included in industry reports.
Benefits paid	Based on industry average. The rates are consistent with forecasts included in industry reports.
Discount rate	Reflect specific risks relating to the relevant segments and the countries in which they operate
Commission and selling costs	Based on management expectation and industry average
Investment income	Based on management expectation and industry average, and the level of investment expected to be maintained.
Commissions earned	This is based on historical experience and management expectations.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

15. INTANGIBLE ASSETS *(continued)*

(d) COMPANY

2019	Computer software KShs'000	Work in progress	Total 2019 KShs'000
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

2018	Computer software KShs'000	Work in progress	Total 2019 KShs'000
COST			
At 1 January	26,036	-	26,036
Additions	-	22,565	22,565
At 31 December	26,036	22,565	48,601
ACCUMULATED AMORTISATION			
At 1 January	11,419	-	11,419
Charge for the year (note 8)	6,509	-	6,509
At 31 December	17,928	-	17,928
CARRYING AMOUNT			
At 31 December	8,108	22,565	30,673

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

16. DEFERRED TAXATION

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2018: 30%).

(a) GROUP

	Net deferred tax asset/(liability)	
	2019 KShs'000	2018* KShs'000
CIC Asset Management Limited	10,099	5,883
CIC General Insurance Limited	460,889	405,058
CIC Life Assurance Limited	(482,814)	(433,930)
CIC Africa Malawi Limited	(5,177)	-
CIC Insurance Group PLC – Company	449,016	330,192
	432,013	307,203
Classified as:		
Deferred tax asset	920,004	741,133
Deferred tax liability	(487,991)	(433,930)

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

(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
2018			
Arising from:			
Unutilised tax losses	370,502	106,573	477,075
Deferred tax on capital gains	(125,158)	(26,679)	(151,837)
Accelerated capital allowance on motor vehicle and equipment	-	4,772	4,772
Provision for doubtful receivables	-	182	182
Net deferred tax asset	245,344	84,848	330,192

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

17. INVESTMENT IN ASSOCIATE

The investment in Takaful Insurance of Africa Limited represents 22% (2018 – 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	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
At 1 January	146,717	137,924	138,400	138,400
Share of (loss)/ profit after taxation for Takaful Insurance of Africa Limited	(19,725)	8,793	-	-
At 31 December	126,992	146,717	138,400	138,400

Summarised financial information in respect of the associate is set out below:

	2019 KShs'000	2018 KShs'000
Current assets	1,113,914	1,000,786
Non- current assets	909,314	775,689
Current liabilities	820,564	753,119
Non- current liabilities	875,749	578,198
Equity	326,915	445,158
Cash and cash equivalents	199,818	84,259
Net earned premiums	677,092	660,909
Investment and other income	202,718	156,957
Net claims and policy holder benefit payable	(367,367)	(314,356)
Operating and commissions expense	(602,101)	(463,544)
Profit from continuing operations for the year	(89,658)	39,966
Group's share of (loss)/profit	(19,725)	8,793
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.

There are no commitments relating to the associate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

18. INVESTMENT IN SUBSIDIARIES

(a) COMPANY

	2019 KShs'000	2018 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	186,124
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	3,600,878

(b) COMPANY

	Share capital KShs '000	*Country of Incorporation*	*Principal activity*	*Percentage Holding*
CIC Asset Management Limited	311,000	Kenya	Funds and assets management as regulated by the Capital Markets Authority.	100%
CIC General Insurance Limited	1,700,000	Kenya	Underwriting general insurance business.	100%
CIC Life Assurance Limited	800,000	Kenya	Underwriting life assurance business.	100%
CIC Africa Insurance (SS) Limited	319,961	South Sudan	Underwriting general and life insurance business.	69%
CIC Africa Co-operatives Insurance (Malawi) Limited	268,124	Malawi	Underwriting general and life insurance business.	92%
CIC Africa (Uganda) Limited	283,792	Uganda	Underwriting general and life insurance business.	95%

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

19. CORPORATE BONDS

The credit quality of each corporate bond is assessed and is acceptable within the parameters used to measure and monitor credit risk.

	2019 KShs'000	2018 KShs'000
Kenya Electricity Generating Company PLC	-	5,644
UAP Holdings Limited	-	32,989
CIC Insurance Group PLC	-	16,301
Real People Kenya Limited	21,523	22,340
East African Breweries Limited	115,801	115,750
Centum Investment Company PLC	78,708	78,658
Chase Bank Limited	-	155,504
Housing Finance Company Limited	-	23,220
Family Bank Limited	20,534	20,528
Jamii Bora Bank Limited	-	51,904
ABC Bank Limited	-	122,486
Consolidated Bank Limited	-	21,169
NIC Group Kenya Limited	-	416
Platinum Credit Limited	26,547	9,734
Musoni Microfinance Limited	28,222	-
I&M Bank Limited	-	2,015
Adjustment on adoption of IFRS 9	-	(157,313)
Allowance for expected credit losses	(1,102)	722
	290,233	522,067
The movement in the corporate bonds is as follows:		
At 1 January	522,067	672,660
Additions	36,075	11,599
Disposals	(274,697)	(5,518)
Amortisation of corporate bond	6,803	(83)
Adjustment on adoption of IFRS 9	-	(157,313)
Allowance for expected credit losses (note 8(d)	(15)	722
At 31 December	290,233	522,067
Maturity analysis		
Within 1 year	121,442	-
In 1-5 years	168,791	-
In over 5 years	-	522,067
	290,233	522,067

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.

20. GOVERNMENT SECURITIES CLASSIFIED AS HELD TO MATURITY

GROUP	2019 KShs '000	2018 KShs '000
At 1 January	1,784,398	1,412,690
Additions	382,466	446,540
Discount	(1,823)	168
Maturities	(223,678)	(75,000)
At 31 December	1,941,363	1,784,398
Maturity analysis		
Within 1 year	183,991	192,066
In 1-5 years	820,507	1,286,506
In over 5 years	936,865	305,826
	1,941,363	1,784,398

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.

21. LOAN 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	2019 KShs '000	2018 KShs '000
(i)	GROUP		
	At 1 January	218,948	392,728
	Loans advanced	2,000	7,382
	Loan repayments	(102,184)	(181,730)
	Adjustment on adoption of IFRS 9	-	4,091
	Allowance expected credit losses (note 8(d))	(1,580)	(3,523)
	At 31 December	117,184	218,948
	Maturity profile:		
	Within 1 year	1,800	4,124
	In 1-5 years	26,945	32,756
	In over 5 years	88,439	182,068
		117,184	218,948
(ii)	COMPANY		
	At 1 January	34,280	44,844
	Loan repayments	(25,331)	(10,564)
	At 31 December	8,949	34,280
	Maturity profile:		
	Within 1 year	-	1,697
	In 1-5 years	8,949	8,128
	In over 5 years	-	24,455
		8,949	34,280

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

21. LOANS RECEIVABLES *(continued)*

(b) OTHER LOANS

(i) GROUP

	2019 KShs '000	2018 KShs '000
Staff loans	50,100	93,145
Policy loans	477,250	305,411
	527,350	398,556
Movement:		
At 1 January	398,556	429,056
Loans advanced	351,067	170,987
Loan repayments	(219,053)	(212,472)
Adjustment on adoption of IFRS 9	-	13,728
Allowance expected credit losses (note 8)	(3,220)	(2,743)
At 31 December	527,350	398,556
Maturity profile:		
Within 1 year	1,666	3,617
In 1-5 years	495,136	332,373
In over 5 years	30,548	62,566
Subtotal (a)	117,184	218,948
Subtotal (b)	527,350	398,556
	644,534	617,504

(ii) COMPANY

	2019 KShs '000	2018 KShs '000
At 1 January	894	29,080
Loans advanced	-	894
Loan repayments	(568)	(29,080)
At 31 December	326	894
Maturity profile:		
Within 1 year	-	78
In 1-5 years	326	816
At 31 December	326	894
Subtotal (a)	8,949	34,280
Subtotal (b)	326	894
	9,275	35,174

An analysis of changes in the gross carrying amount and corresponding ECL allowances in loans has been disclosed in note 55(b).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

21. 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

31 December 2019 In KShs	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Property	Total collateral	Net exposure	ECLs
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

31 December 2019 In KShs	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Property	Total collateral	Net exposure	ECLs
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.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GOVERNMENT SECURITIES

(a) GROUP	2019 KShs'000	2018 KShs'000
At 1 January	5,841,496	5,005,009
Additions	1,530,422	2,241,606
Disposals	(187,180)	(1,490,425)
Fair value loss on government securities reclassified securities in prior periods (note 5)	-	(11,222)
Fair value gain through OCI	90,395	96,528
At 31 December	7,275,133	5,841,496
Maturity analysis		
Within 1 year	-	-
In 1-5 years	-	-
In over 5 years	7,275,133	5,841,496
	7,275,133	5,841,496

*This relates to the reclassification of government securities classified as available for sale to government securities classified as held to maturity. These assets are not held under lien.

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 55(b).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – UNQUOTED EQUITY INSTRUMENTS

GROUP	2019 KShs'000	2018 KShs'000
Unquoted investment:		
Shares held in Co-op Holding Co-operative Society Limited	20,236	18,212
The movement in the investments is as follows:		
At 1 January	18,212	20,449
Fair value gain/(loss)	2,024	(2,237)
At 31 December	20,236	18,212

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 (NSE). These shares are not available to the public market, they can only be sold to other members of the Co-operative sector 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 or KShs 9.60 per shareholders agreement. In the current year the shares have been valued at KShs 9.60 which represents their fair value. In 2019, the Group received NIL dividends from its FVOCI equities. The Group did not dispose of or derecognise any FVOCI equity instruments in 2019.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 KShs'000	2018 KShs'000
At 1 January	1,329,421	1,240,619
Additions	305,553	411,730
Disposal	(277,728)	(78,540)
Fair value gain/(loss) (note 6)	82,420	(244,388)
At 31 December	1,439,666	1,329,421

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.

25. FINANCIAL ASSETS AT AMORTISED COST - DEPOSITS AND COMMERCIAL PAPERS

(a) GROUP

	2019 KShs'000	2018 KShs'000
DEPOSITS		
CIC Sacco Society Limited	33,753	13,818
COMMERCIAL PAPERS:		
Long horn Publishers Limited	8,334	29,820
Crown Paints Kenya Limited	113,932	50,765
	156,019	94,403
Less: Allowance for expected credit losses	(587)	(386)
	155,432	94,017
Maturity analysis		
Maturing within three months	-	-
Maturing after 3 months	156,019	94,403
Allowance for expected credit losses	(587)	(386)
Total deposits and commercial papers	155,432	94,017
Movement:		
At 1 January	94,017	1,295,182
Additions	218,726	9,413
Transfers on adoption of IFRS 9 (note 25 (c))	-	(1,216,595)
Disposals	(159,226)	(1,546)
Adjustment on adoption of IFRS 9	-	(604)
Allowance for expected credit losses (note 8(d))	(201)	218
Interest on deposits and commercial papers	2,116	7,949
At 31 December	155,432	94,017

An analysis of changes in the gross carrying amount and corresponding ECL allowances in deposits and commercial paper has been disclosed in note 55(b). These assets are not held under lien.

(b) INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES THROUGH PROFIT OR LOSS

	2019 KShs '000	2018 KShs '000
At 1 January	1,025,977	1,216,595
Additions	1,529,078	321,862
Maturities	(1,146,161)	(517,223)
Fair value gain on investments in collective investmen schemes (note 6)	77,607	4,743
At 31 December	1,486,501	1,025,977

(c) COMPANY

	2019	2018
INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES THROUGH PROFIT OR LOSS		
At 1 January	-	-
Additions	12,080	-
Fair value gain on investments in collective investment schemes	1,016	-
At 31 December	13,096	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

26. DEFERRED ACQUISITION COSTS

	2019 KShs'000	2018 KShs'000
At 1 January	527,710	592,713
New acquisition costs	520,625	215,076
Amortization charge	(475,820)	(280,079)
At 31 December	572,515	527,710

Deferred acquisition costs relate to insurance contracts as explained in note 3(h).

27. (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.

	2019 KShs'000	2018* KShs'000
1 January	1,627,426	1,527,331
Gross written premiums	17,695,928	16,627,384
Provision for doubtful premiums*	(1,450,424)	(1,344,067)
Payments received	(16,289,864)	(15,183,222)
31 December	1,583,066	1,627,426

*Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.

Past due but not impaired		
1-30 Days	464,506	513,533
31-60 Days	459,179	322,118
61-90 Days	264,997	253,292
91-120 Days	394,384	345,799
Over 120 days	-	192,684
Total	1,583,066	1,627,426

**The movement in provision for doubtful premium is as follows:*

At 1 January	1,344,067	1,256,686
Increase in provisions (note 8(a))	106,357	87,381
At 31 December	1,450,424	1,344,067

(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.

	2019 KShs'000	2018 KShs'000
1 January	1,933,652	1,429,216
Increase in claims paid that have reinsurance recoveries	669,638	1,404,676
Reinsurance recoveries receipts	(255,314)	(900,240)
31 December	2,347,976	1,933,652

27. (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.	2019 KShs'000	2018 KShs'000
1 January	245,047	132,403
Claim recoveries	206,652	124,973
Utilised during the year	-	(12,329)
31 December	451,699	245,047

28. REINSURERS' SHARE OF LIABILITIES AND RESERVES

	2019 KShs'000	2018* KShs'000
Reinsurers' share of:		
• General insurance contract liabilities	894,351	1,054,279
• Life assurance contract liabilities	179,218	90,824
	1,073,569	1,145,103
• Reinsurers share of actuarial value of policyholder reserve (note 45)	471,303	533,805
• Unearned premium and unexpired risks (note 47)	638,232	506,971
Total	2,183,104	2,185,879

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 49.

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

29. OTHER RECEIVABLES

(a) GROUP

	2019 KShs'000	2018 KShs'000
Staff advances	14,325	15,231
Other receivables	97,269	69,491
Receivable from custodian	2,131	2,131
Rent receivable	107,893	61,913
Medical fund administration scheme	-	34,736
Motor vehicle benefits recoverable	5,415	7,882
Receivable from Mavuno fund manager	15,192	15,419
Prepayments	100,583	24,785
Allowance for expected credit losses	(2,979)	(2,896)
	339,829	228,692
Movement in ECL Reconciliation		
1 January	2,896	-
Adjustments on adoption of IFRS 9	-	727
Increase in Expected Credit Losses (note 8(d))	83	2,169
At 31 December	2,979	2,896

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

29. OTHER RECEIVABLES *(continued)*

(b) COMPANY	2019 KShs'000	2018 KShs'000
Other receivables	3,900	2,701
Prepayment	99,425	6,304
	103,325	9,005

An analysis of changes in the gross carrying amount and corresponding ECL allowances in other receivables has been disclosed in note 55(b).

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

30. 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. 265,000 (2018: Ksh 265,000). The amounts due from related parties are non- interest bearing and the balances are not secured. There were no commitments made between the Group and any related party.

GROUP	2019 KShs'000	2018 KShs'000
Due from related companies:		
Co-operative Insurance Society Limited	59,269	43,743
CIC Foundation	14,056	19,209
CIC Africa Co-operatives Insurance (Malawi) Limited	-	438
CIC Unit Trusts	53,339	39,873
Allowance for expected credit losses	(371)	(265)
	126,293	102,998
Movement in ECL Reconciliation		
1 January	265	-
Increase in expected credit losses (note 8(d))	106	265
At 31 December	371	265

(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	15,526	27,025
CIC Foundation	5,151	17,432
CIC Africa Co-operatives Insurance Limited Malawi	8,140	438
CIC Unit Trust Scheme	13,466	12,480

** 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 therefore 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.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

30. 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:

	2019 KShs'000	2018 KShs'000
Short-term employment benefits:		
Directors		
• Directors 'emoluments – Fees	43,138	40,656
• Others (travel and accommodation)	36,837	31,373
Key management staff*:		
Salaries	200,844	229,369
Leave allowance	3,758	3,467
Car allowance	10,795	15,308
National Social Security Fund (NSSF)	57	69
Gratuity	39,956	-
Contribution to defined contribution scheme	14,555	17,560
	349,940	337,802

**Included in Kenya management staff is salary and allowances of KShs 155 million (2018: KShs 74.8 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	59,269	43,743
CIC Asset Management Limited	1,920	34,827
CIC Africa (Uganda) Limited	66,009	48,988
CIC Africa Co-operatives Insurance (Malawi) Limited	8,140	438
CIC Africa Insurance (SS) Limited	12,501	18,677
CIC Foundation	14,058	17,412
	161,897	164,085
Related party Loan		
CIC Africa Group Limited-Uganda	433,180	280,186
CIC Sacco Society Limited	21,524	-
	454,704	280,186

CIC Insurance Group PLC advanced an additional KShs 100 million to CIC Africa (Uganda) Limited at a rate of 13% compounded interest. The outstanding loan as at 31st December 2019 stood at Ksh 433 million (both interest and principal). The loan is unsecured.

	2019 KShs'000	2018 KShs'000
Due to related parties:		
CIC Life Assurance Limited	202,881	107,793
CIC General Insurance Limited	81,124	8,742
Expected credit losses	2,878	-
	286,883	116,535
Related party Loan		
CIC General Insurance Limited	700,000	-
CIC Asset Management Limited	200,000	-
Total	900,000	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

30. RELATED PARTIES *(continued)*

The Holding company was advanced Kshs. 700 million and KShs 200 million by CIC General Insurance Limited and CIC Asset management respectively at an interest rate of 12.5% repayable 1 year and 2 years respectively.

The loan for CIC General Insurance Limited has a collateral of share pledges for CIC Africa Insurance (SS) Limited, CIC Africa Uganda & CIC Africa cooperatives Malawi. While the loan for CIC asset management Limited is unsecured.

The company has various related parties, most of whom are related by common shareholding.

(a) Transaction with related parties during the year

	2019 KShs'000	2018 KShs'000
Receipts from related party		
CIC Asset Management Limited	22,907	16,573
CIC General Insurance Limited	176,672	161,313
CIC Africa Co-operatives Insurance (Malawi) Limited	-	13,339
Payments to related party		
CIC Africa (Uganda) Limited	66,009	48,782
CIC Africa Co-operatives Insurance Limited	8,140	-
CIC Africa Insurance (SS) Limited	12,501	6,545
CIC Foundation	14,056	17,432
Co-operative Insurance Society Limited	59,269	27,205

(b) 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 2019 and 31 December 2018.

(c) Key management personnel remuneration

The remuneration of directors and other members of key management during the year were as follows:

	2019 KShs'000	2018 KShs'000
Directors 'emoluments – fees	218,031	114,697

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.

31. DEPOSITS WITH FINANCIAL INSTITUTIONS

(a) GROUP

	2019 KShs'000	2018 KShs'000
The Co-operative Bank of Kenya Limited	1,306,164	2,942,666
Housing Finance Company of Kenya Limited	-	23,073
EFC Uganda Limited	4,204	3,241
Pride Microfinance Limited	28,554	19,225
Gulf African Bank Limited	172,976	228,254
KCB Bank Kenya Limited*	1,048,237	850,155
Development Bank of Kenya Limited	-	48,018
Nico Asset Managers Limited	117,649	60,703
Equity Bank of Kenya Limited	166,305	104,559
I and M Bank Limited	155,680	-
Middle East Bank of Kenya Limited	45,279	-
Family Bank Limited	205,780	-
Imperial Bank of Kenya Limited	23,443	26,851
Nedbank Limited (Malawi)	-	52,459
Credit Bank Limited	135,188	106,105
FTB Bank Limited	119,659	27,160
Victoria Commercial Bank Limited	8,128	97,507
Tropical Bank Limited	4,839	-
Opportunity Bank Uganda Limited	17,593	-
Ugafode Microfinance Limited	4,387	-
Kenya Women Finance Trust Limited	-	87,526
Foundation for international assistance (Finca) Bank	15,263	-
Oldmutual Limited (Malawi)	39,686	-
Mybucks banking Corporation	57,794	-
NCBA Bank kenya PLC	153,449	424,388
Continental Discounting House Investment Bank	-	41,669
United Bank of Africa Limited	145,907	164,633
	3,976,164	5,308,192
Adjustment on adoption of IFRS 9	-	(56,317)
Expected credit losses allowance	(30,509)	2,113
Net deposits	3,945,655	5,253,988
Maturity analysis:		
Maturing within three months	1,118,428	3,866,788
Maturing after 3 months	2,827,227	1,387,200
	3,945,655	5,253,988
Movement in ECL Reconciliation		
1 January	54,204	-
Adjustments on adoption of IFRS 9	-	56,317
Decrease in Expected Credit Losses (note 8(d))	(23,695)	(2,113)
At 31 December	30,509	54,204

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

31. DEPOSITS WITH FINANCIAL INSTITUTIONS *(continued)*

(b) COMPANY

	2019 KShs'000	2018 KShs'000
The Co-operative Bank of Kenya Limited	-	1,366,178
KCB Bank Kenya Limited*	71,650	-
Maturity analysis:		
Maturing within 3 months	-	1,366,178
Maturing after 3 months	71,650	-
	71,650	1,366,178

** 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 55(b).

32. SHARE CAPITAL

	2019		2018	
	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 (2019: 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

33. SHARE PREMIUM

	2019 KShs'000	2018 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 a capitalization of through issuance of bonus amounting to 435,923,000 shares of KShs 1 each.

34. 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.

35. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

36. REVALUATION SURPLUS

The revaluation surplus represents the surpluses on the revaluation of buildings and is not distributable as dividends.

37. 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.

38. 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.

39. 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.

40. NON-CONTROLLING INTEREST

	2019 KShs'000	2018 KShs'000
At 1 January	(13,944)	74,568
Profit for the year	12,261	10,169
Other comprehensive income for the year	8,069	(98,681)
Total comprehensive income for the year	20,330	(88,512)
Additional Investment by minority interest	-	-
Acquired through business combination	-	-
At 31 December	6,386	(13,944)

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;

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

40. NON-CONTROLLING INTEREST *(continued)*

	South Sudan		Malawi	
	2019	2018	2019	2018
Proportion of ownership held by NCI	31%	31%	8%	15%
Proportion of voting rights held by NCI	31%	31%	8%	15%
Accumulated balances of NCI (KShs '000)	(87,093)	(83,425)	785	(9,701)
Profit/(loss) accumulated to NCI (KShs '000)	6,896	(83,425)	925	(13,535)
Dividends paid to NCI in the year (KShs '000)	-	-	-	-

Summarised financial information of the subsidiaries is provided below:

	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Total revenue	753,865	461,746	232,223	146,633
Profit for the year	22,247	46,094	11,561	(14,430)
Other comprehensive income	(303,193)	(315,208)	(1,753)	(399)
Total comprehensive income	(280,947)	(269,114)	9,808	(14,829)
Total non-current assets	375,443	347,556	11,379	7,038
Total current assets	879,565	431,524	370,396	202,233
Total non-current liabilities		-		-
Total current liabilities	669,828	242,875	246,432	157,331
Cash flows from operating activities	19,052	1,213	65,950	28,192
Cash flows from financing activities	235	(2,444)	84,384	74,951
Cash flows from investing activities	26,362	70,586	(25,142)	(1,139)

41. BORROWINGS - CORPORATE BOND

	2019 KShs'000	2018 KShs'000
1 January	5,129,914	5,106,529
Bond interest expense incurred and paid in the year (note 10)	500,000	500,000
Bond accrued interest for the year (notes 10)	(150,000)	150,000
Bond interest repayment during the year	(500,000)	(650,000)
Corporate bond repayment	(5,000,000)	-
Amortisation of bond expenses (note 8(a))	20,086	23,385
Bank Borrowing	4,500,000	-
Repayment of bank borrowing	(900,000)	-
Interest accrued on bank borrowing	141,781	-
Accrued loan expenses	6,750	-
31 December	3,748,531	5,129,914

The principal amount of the corporate bond is KShs 5 billion matured and was repaid on 2 October 2019. Interest rate was at 13% per annum, payable semi -annually, with the principal amount payable on maturity of the bond after five years.

The Company acquired a loan facility of Kshs 4.5 billion from co-operative bank a related party on 1 October 2019 at 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 31/12/2019.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

42. OTHER PAYABLES

	2019 KShs'000	2018 KShs'000
(a) GROUP		
Sundry payables	855,058	550,402
Payroll creditors	14,566	63,307
Premiums received in advance	231,957	285,606
Staff annual leave pay provision	45,082	41,931
Rent deposits	32,518	28,101
Commissions payable	-	12,959
Finance lease obligation	29,380	32,441
	1,208,561	1,014,747
(b) COMPANY		
Sundry payables	60,807	19,811
Withholding tax payable	-	876
	60,807	20,687

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

43. DIVIDENDS

	2019 KShs'000	2018 KShs'000
Declared and paid during the year	340,025	313,865
Proposed for approval at the annual general meeting (not recognised as a liability.)	-	340,025

There are no income tax consequences attached to the payment of dividends in either 2019 or-2018 by the company to its shareholders.

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.

44. 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:	2019 KShs'000	2018 KShs'000
Pension contributions	1,254,617	981,143
Investment income	417,614	253,827
Total income for the year	1,672,231	1,234,970
Policy benefits (net)	(374,691)	(180,032)
Administrative expenses	(51,260)	(44,737)
Total outflow	(425,951)	(224,769)
Net movement for the year	1,246,280	1,010,201
Balance at beginning of the year	3,124,116	2,113,915
Balance at end of year	4,370,396	3,124,116

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

45. ACTUARIAL VALUE OF POLICYHOLDER LIABILITIES

The actuarial valuation of the life fund was carried out by The Actuarial Services Company Limited, Actuaries and Consultants, as at 31 December 2019 and revealed actuarial liabilities of KShs 6,362,664 (2018: KShs 5,344,535). There was no transfer in the current year. (2018: KShs 115,000,000) 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 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
As at 1 January 2018	1,835,224	1,935,623	3,770,847	498,033	4,268,880
Actuarial adjustments	1,025,759	14,124	1,039,883	35,772	1,075,655
As at 31 December 2018 *	2,860,983	1,949,747	4,810,730	533,805	5,344,535

*Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.

46. UNIT LINKED CONTRACTS

Unit linked contracts are designated financial liabilities at amortised cost. 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.

	2019 KShs'000	2018 KShs'000
At 1 January	474,554	536,926
Contributions received	17,790	24,251
Surrenders	(506)	(13,476)
Maturities	(14,686)	(63,745)
Far value gain/(loss)	37,820	(9,402)
Net fund value	514,972	474,554

47. 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
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
2018			
At 1 January	4,510,237	(691,381)	3,818,856
Gross written premiums	16,627,384	(2,499,405)	14,127,979
Gross earned premiums	(16,945,301)	2,683,815	(14,261,486)
Increase/(decrease) in the year (net)	(317,917)	184,410	(133,507)
At 31 December	4,192,320	(506,971)	3,685,349

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

48. 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 58recoveries at the end of 2018 and 2019 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.

2019

Accident Year	2015 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 49)	-	-	-	-	-	1,650,118
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	5,520,581

IBNR claims expense is determined in line with the minimum rates as prescribed by the Kenyan Insurance Regulatory Authority

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

48. INSURANCE CONTRACTS LIABILITIES *(continued)*

2018

Accident Year	2014 KShs'000'	2015 KShs'000'	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	Total KShs'000'
Estimated ultimate claims cost						
at end of accident year	4,410,961	4,538,520	5,855,649	4,568,583	5,635,192	25,008,905
one year later	4,738,575	5,969,581	6,628,190	6,195,376	-	23,531,722
two years later	6,348,218	6,563,367	6,915,435	-	-	19,827,020
three years later	6,399,196	6,780,597	-	-	-	13,179,793
four years later	6,889,835	-	-	-	-	6,889,835
Current estimate of cumulative claims	6,889,835	6,780,597	6,915,435	6,195,376	5,635,192	32,416,435
Less: cumulative payments to date	(6,456,534)	(6,060,679)	(6,434,601)	(5,517,236)	(3,921,603)	(28,390,653)
	433,301	719,918	480,834	678,140	1,713,589	4,025,782
Liability incurred but not reported claims (note 49)	-	-	-	-	-	1,315,706
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	5,341,488

IBNR claims expense is determined in line with the minimum rates as prescribed by the Kenyan Insurance Regulatory Authority

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

48. 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 2018 and 2019 are not material.

2019

Accident Year	2015 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	27613	-		177,736
Three years later	36,124	23344	-	-		59,468
Four years later	5961	-	-	-	-	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 gross claims liabilities included in statement of financial position	-	-	-	-	-	4,447,012

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

48. 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 2018 and 2019 are not material.

2018

Accident Year	2014 KShs'000'	2015 KShs'000'	2016 KShs'000'	2017 KShs'000'	2018 KShs'000'	Total KShs'000'
Estimated ultimate claims cost at end of accident year	4,834,742	4,657,587	3,286,055	4,492,266	4,652,295	21,922,945
One year later	345,987	389,403	260,047	285,075	-	1,280,512
Two years later	31,155	57,013	48,319	-	-	136,487
Three years later	14,104	23,175	-	-	-	37,279
Four years later	3,819	-	-	-	-	3,819
Current estimate of cumulative claims	5,229,807	5,127,178	3,594,421	4,777,341	4,652,295	23,381,042
Less: cumulative payments to date	(5,091,725)	(4,641,046)	(3,271,690)	(4,319,468)	(3,176,434)	(20,500,363)
	138,082	486,132	322,731	457,873	1,475,860	2,880,679
Liability incurred but not reported claims (note 49)	-	-	-	-	-	1,315,706
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	4,196,385

48. INSURANCE CONTRACTS LIABILITIES *(continued)*

GROUP	2019 KShs'000	2018* KShs'000
Claims reported and claims handling expenses:		
At 1 January		
- General insurance	3,825,974	3,177,913
- Life assurance	370,411	250,265
	4,196,385	3,428,178
Claims incurred in the year (note 49)	8,009,589	9,513,530
Payments for claims and claims handling expenses (note 49)	(7,758,962)	(8,745,323)
At 31 December	4,447,012	4,196,385
Comprising:		
- General insurance	4,028,285	3,825,974
- Life assurance	418,727	370,411
At 31 December	4,447,012	4,196,385
Comprising:		
At 31 December:		
Gross amounts	5,520,581	5,341,488
Reinsurers share (note 28)	(1,073,569)	(1,145,103)
	4,447,012	4,196,385

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

Movement in insurance contract liabilities is shown in note 49

49. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

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
Cash paid for claims settled in year	(9,022,308)	1,263,346	(7,758,962)
Current year claims	5,005,336	(1,191,812)	3,813,524
Prior year claims	4,196,065		4,196,065
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 2019

49. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS *(continued)*

2018

	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Notified claims	3,430,063	(1,063,155)	2,366,908
Incurred but not reported (note 48)	1,267,794	-	1,267,794
	4,697,857	(1,063,155)	3,634,702
Payments for claims and claims handling expenses in the year	(9,835,932)	953,110	(8,882,822)
Claims incurred in the year	10,479,563	(1,035,058)	9,444,505
At 31 December	5,341,488	(1,145,103)	4,196,385
Notified claims	4,025,782	(1,145,103)	2,880,679
Incurred but not reported (note 48)	1,315,706	-	1,315,706
At 31 December	5,341,488	(1,145,103)	4,196,385

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

50. NOTES TO THE STATEMENT OF CASH FLOWS

GROUP

Reconciliation of profit before taxation to cash generated from operations:

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2019 KShs'000	2018* KShs'000
Profit before taxation	8(c)	385,589	645,307
ECL* on corporate bond	8(d)	(15)	(722)
ECL on other receivables	8(d)	83	2,169
ECL on related party balances	8(d)	(106)	265
ECL on deposits with financial Institutions	8(d)	(23,695)	(2,113)
ECL on staff loans	8(d)	(1,580)	(3,523)
ECL on for other loans	8(d)	(3,220)	2,743
ECL on commercial paper	8(d)	(201)	(218)
Interest income	5	(1,217,189)	(828,540)
Dividend income	5	(47,148)	(44,586)
Discount on government securities at amortised cost	20	1,823	(168)
Fair value loss realised on reclassification of government securities	5	-	11,222
Provision for doubtful premium receivables	8	106,357	87,381
Interest expense	41	641,781	650,000
Depreciation on property and equipment	12	187,601	177,777
Interest on leases	13(a)	28,334	-
Fair value gains on revaluation on investment property	14	(207,850)	(541,424)
Amortisation of intangible assets	15(a)	22,677	36,907
Share of loss/(profits) of associate	17	19,725	(8,793)
Amortisation of corporate bond	19	(6,803)	83
Fair value (gains)/loss on equity investment at fair value through profit or loss	24	(82,420)	244,388
Fair value gain on Collective investment schemes	25(5)	(77,607)	(4,743)
Amortisation of bond expenses	41	20,086	23,385
Amortisation of loan expenses	41	6,750	-
Amortisation of lease expenses	13(a)	82,792	-
Working capital changes;			
Increase in receivables arising out of direct insurance arrangements		(61,997)	(187,476)
(Increase)/decrease in provision for unearned premium		399,228	(317,917)
Increase in insurance contracts liabilities		179,093	643,631
Increase in receivables arising out of reinsurance arrangements		(414,324)	(504,436)
Decrease in reinsurance share of liabilities and reserves		2,775	66,690
(Increase)/decrease in other receivables		(111,220)	25,108
Increase in other payables		193,814	64,983
Increase in actuarial value of policyholder's liabilities		1,018,129	1,075,655
Increase in payables arising from reinsurance arrangements		206,652	112,644
Increase in deposits administration contracts		1,246,280	1,010,201
(Increase)/decrease in unit linked contracts		40,418	(62,372)
(Increase)/decrease in deferred acquisition costs		(44,805)	65,003
Movement in related parties in related party balances		(23,189)	(57,377)
Cash generated from operations		2,466,618	2,381,134

**ECL -Expected Credit Losses*
***Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

51. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of:	Notes	2019 KShs'000	2018 KShs'000
GROUP			
Bank and cash balances		813,183	456,012
Deposits with banks maturing within 3 months	31	1,118,428	3,866,788
		1,931,611	4,322,800
COMPANY			
Bank and cash balances		3,488	1,146
Deposits with banks maturing within 3 months	31	71,650	1,366,178
		75,138	1,367,324

There are no assets held under lien.

52. 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	2019 %	2018 %
Government securities	Fixed	12.80	12.75
Corporate bonds	Fixed	12.85	12.50
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	10.00	10.50
Deposits and commercial papers	Variable	12..75	12.65
Cash and cash equivalents	Fixed	6.50	7.00

53. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

53. 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:

	2019 KShs'000	2018 KShs'000
Committed but not contracted for	132,886	208,550

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:

	2019 KShs '000	2018 KShs '000
Within one year	111,676	109,916
After one year but not more than two years	142,082	132,801
After two year but not more than five years	132,183	-
Total operating lease rentals receivable	385,941	242,717

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.

Future minimum rentals payable under non–cancellable operating leases as at 31 December are, as follows:

	2019 KShs'000	2018 KShs'000
Within one year	83,161	62,256
After one year but not more than two years	164,860	171,872
After two year but not more than five years	-	-
Total operating lease rentals payable	248,021	234,128

Bank Guarantees

Bank guarantees	286,443	187,514

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

54. RISK MANAGEMENT FRAMEWORK

(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.

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,

54. RISK MANAGEMENT FRAMEWORK *(continued)*

(b). Capital management objectives, policies and approach (continued)

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.

	2019 KShs'000	2018 KShs'000
Share capital	2,615,578	2,615,578
Share premium	162,179	162,179
Statutory reserve	1,123,620	956,511
Contingency reserve	34,016	21,017
Revaluation surplus	183,605	151,019
Translation reserve	(298,804)	(299,031)
Fair value deficit	(78,900)	(171,319)
Retained earnings	4,105,253	4,316,056
Equity attributable the owners of the parent	7,846,547	7,752,010
Non-controlling interest	6,386	(13,944)
Total equity	7,852,933	7,738,066

The Group had external borrowings at 31 December 2019 of KShs 3.6 billion (2018 - 5.1 billion).

(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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

54. RISK MANAGEMENT FRAMEWORK *(continued)*

(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.

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.

55. INSURANCE AND FINANCIAL RISK

55.1 Insurance risk

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

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.1 Insurance risk (continued)

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 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.1 Insurance risk (continued)

1. Life insurance contracts (continued)

The following tables show the concentration of life insurance contract liabilities and investment contract liabilities with DPF by type of contract.

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	-	-	2,465,588	2,465,588	479,457	1,986,131
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 (Note 30)	1,673,519	-	4,558,423	6,231,942	531,191	5,700,751
Unit linked (note 31)	-	514,972	-	514,972	-	514,972
Total	1,673,519	514,972	4,558,423	6,746,914	531,191	6,215,723

**The Insurance contract liabilities with DPF features are not reinsured.*

31 December 2018

	Gross				Reinsurance*	
	Iinsurance contract liabilities With DPF KShs'000	Investment contract liabilities KShs'000	Insurance contract without liabilities KShs'000	Total Insurance and investment contract liabilities KShs'000	Insurance liabilities without KShs'000	Net liabilities KShs'000
Group life	-	-	308,017	308,017	84,891	223,126
Group credit	-	-	2,073,071	2,073,071	363,857	1,709,214
Endowment	1,291,201	-	-	1,291,201	-	1,291,201
Term assurance	-	-	63	63	-	63
Annuities	-	-	1,569,719	1,569,719	-	1,569,719
Total insurance liabilities (Note 45)	1,291,201	-	3,950,870	5,242,071	448,748	4,793,323
Unit linked (note 46)	-	474,554	-	474,554	-	474,554
Total	1,291,201	474,554	3,950,870	5,716,625	448,748	5,267,877

**The Insurance contract liabilities with DPF features are not reinsured.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.1 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.

- Discount rate

  Life insurance liabilities are determined as the sum of the discounted value of the expected benefits

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.1 Insurance risk (continued)

1. Life insurance contracts (continued)
Key Assumptions *(continued)*

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 Insurance contracts		
	2019	2018		2019		2018	2019	2018
Insurance contracts Annuities*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	YR1 LAPSE N/A	YR2 LAPSE N/A	YR3 LAPSE 15%	13.0%	13.0%	13.15%
Life assurance*	KE 2007 – 2010 Tables for Assured Lives	KE 2007 – 2010 Tables for Assured Lives	15%	10%	15%	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 actuarial value of policy holder's 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.

Life insurance contracts

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.1 Insurance risk (continued)

1. Life insurance contracts (continued)
Sensitivities *(continued)*

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.

Life insurance contracts

	31 December 2019		31 December 2018	
	KShs '000	% change	KShs '000	% change
Main basis	5,398,183	-	4,423,762	-
Expenses plus 10%	5,433,298	0.65%	4,457,464	0.76%
Mortality and other claims				
Mortality plus 10%	5,406,118	0.15%	4,430,316	0.15%
Discount rate/Investment return less 20%	5,654,505	4.75%	4,673,921	5.65%
Expense inflation plus 1%				
Withdrawals plus 25%	5,401,379	0.06%	4,426,392	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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.1 Insurance risk (continued)

2. Non-life insurance contracts (continued)

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.

The table below sets out the concentration of insurance contract liabilities by type of contract:

	31 December 2019			31 December 2018		
	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	58,491	(25,290)	33,201	60,233	(39,722)	20,511
Fire	190,442	(87,330)	103,112	94,970	(38,831)	56,139
Liability	567,325	(465,255)	102,070	768,484	(636,973)	131,511
Marine	48,585	(2,768)	45,817	39,178	(2,082)	37,096
Motor	2,834,898	(252,088)	2,582,810	2,512,817	(248,328)	2,264,489
Medical	290,160	(2,902)	287,258	281,108	(2,811)	278,297
Others	618,530	(58,718)	559,812	596,976	(85,531)	511,445
Total	4,608,431	(894,351)	3,714,080	4,353,766	(1,054,278)	3,299,488

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.1 Insurance risk (continued)

2. Non-life insurance contracts (continued)

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.

31/12/2019	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	131,570	85,520	46,049	13,814
Average number of claims	+10/-10	121,030	78,669	42,360	12,708
31/12/2018					
Average Claim Cost	+10/-10	131,570	85,520	46,049	13,814
Average number of claims	+10/-10	121,030	78,669	42,360	12,708

55.2 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

a. Credit risk *(continued)*

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.

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 bank balances) 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.

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.2 Financial risks (continued)

a. Credit risk *(continued)*

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.

Credit risk exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counter parties.

For 2019, all the financial assets were classified as stage 1 and there is no difference between stages

2019

a) GROUP

	High grade	Standard grade	Past due but not impaired	Individually impaired	Total
Financial assets at amortised cost - Government securities	1,941,363	-	-	-	1,941,363
Financial Assets at amortised cost - Corporate Bonds	290,233	-	-	-	290,233
Financial Assets at amortised cost -Loan and Receivables	619,724	-	24,810	-	644,534
Financial assets at fair value through OCI - Government securities	7,275,133	-	-	-	7,275,133
Financial assets at amortised cost -Deposits and commercial paper	122,352	-	-	-	122,352
Due from related party	126,293	-	-	-	126,293
Deposits with financial institutions	3,945,655	-	-	-	3,945,655
Other receivables	228,692	-	-	-	228,692
Cash and bank balances	339,353	-	-	-	339,353
	14,888,798	-	24,810	-	14,913,608

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

2018

a) GROUP	High grade	Standard grade	Past due but not impaired	Individually impaired	Total
Financial assets at amortised cost - Government securities	1,784,398	-	-	-	1,784,398
Financial Assets at amortised cost - Corporate Bonds	522,067	-	-	-	522,067
Financial Assets at amortised cost -Loan and Receivables	599,982	-	17,522	-	617,504
Financial assets at fair value through OCI- Government securities	5,841,496	-	-	-	5,841,496
Financial assets at amortised cost -Deposits and commercial paper	23,016				23,016
Due from related party	102,998	-	-	-	102,998
Deposits with financial institutions	5,227,137	-	-	-	5,227,137
Other receivables	228,692	-	-	-	228,692
Cash and bank balances	456,012	-	-	-	456,012
	14,785,798	-	17,522	-	14,803,320

The group actively manages its product mix to ensure there is no significant concentration of credit risk.

2019

a) COMPANY	High grade	Standard grade	Past due but not impaired	Individually impaired	Total
Financial Assets at amortised cost -Loan and Receivables	9,275	-	-	-	9,275
Due from related party	161,897	-	-	-	161,897
Intercompany Loan	433,180				433,180
Deposits with financial institutions	71,650	-	-	-	71,650
Other receivables	103,325				103,325
Cash and bank balances	3,488	-	-	-	3,488
	782,815	-	-	-	782,815

2018

a) COMPANY					
Financial Assets at amortised cost	35,174	-	-	-	35,174
-Loan and Receivables	444,271	-	-	-	444,271
Due from related party					
Deposits with financial institutions	1,366,178	-	-	-	1,366,178
Other receivables	9,005				9,005
Cash and bank balances	1,146	-	-	-	1,146
	1,855,774	-	-	-	1,855,774

Financial Assets at amortised cost-Loan and Receivables

The group actively manages its product mix to ensure there is no significant concentration of credit risk.

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.2 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 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Internal rating grade					
High grade	7,275,133	-	-	7,275,133	5,841,496
Standard grade	-	-	-	-	-
Total Gross Amount	7,275,133	-	-	7,275,133	5,841,496
ECL	-	-	-	-	-
Total Net Amount	7,275,133	-	-	7,275,133	5,841,496

An analysis of changes in the fair value amount and corresponding ECLs is, as follows:

2018	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Fair value amount as at 1 January	5,841,496	-	-	5,841,496	5,005,009
New assets purchased	1,530,422	-	-	1,530,422	2,241,606
Assets matured	(187,180)	-	-	(187,180)	(1,490,425)
Changes in fair value	90,395	-	-	90,395	96,528
AFS interest reclassification	-	-	-	-	(11,222)
Movement between 12m ECL and LTECL	-	-	-	-	-
At 31 December	7,275,133	-	-	7,275,133	5,841,496

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

a. Credit risk *(continued)*

*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.

2018

a) Financial assets at amortised cost: Corporate bonds

Internal rating grade	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Performing					
High grade	291,335	-	-	291,335	523,154
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	291,335	-	-	291,335	523,154
(ECL)/Write backs	(1,102)	-	-	(1,102)	(1,087)
Total Net Amount	290,233	-	-	290,233	522,067

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:
2018

a) GROUP	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Gross carrying amount as at 1 January	522,067	-	-	522,067	672,660
New assets purchased	36,075	-	-	36,075	11,599
Assets matured	(273,610)	-	-	(273,610)	(5,518)
Accrued interest capitalised	(1,102)	-	-	(1,102)	-
Amortisation / Discount	6803	-	-	6803	(83)
Movement between 12m ECL and LTECL					
At 31 December	290,233	-	-	290,233	678,658

b) GROUP	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
ECL as at 1 January	1,087	-	-	1,087	1,809
New assets	-	-	-	-	(1,024)
Assets matured	15	-	-	15	302
Movement between 12m ECL and LTECL	-	-	-	-	-
	1,102	-	-	1,102	1,087

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.2 Financial risks (continued)

a. Credit risk *(continued)*

b) Financial assets at amortised cost: Government securities

Internal rating grade	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Performing					
High grade	1,941,363	-	-	1,941,363	1,784,398
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	1,941,363	-	-	1,941,363	1,784,398
(ECL)/Write backs	-	-	-	-	-
Total Net Amount	1,941,363	-	-	1,941,363	1,784,398

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:
2019

c)

GROUP	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Gross carrying amount as at 1 January	1,784,398	-	-	1,784,398	1,412,690
New assets purchased	382,466	-	-	382,466	446,540
Assets matured	(223,678)	-	-	(223,678)	(75,000)
Amortisation / Discount	(1,823)	-	-	(1,823)	168
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	1,941,363	-	-	1,941,363	1,784,398

d)

GROUP	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total KShs'000
ECL as at 1 January	-	-	-	-
New assets	-	-	-	-
Assets matured	-	-	-	-
Unwind of discount	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-
	-	-	-	-

Management assessed that there is low credit risk on these financial instruments as they are sovereign debts and there has been no history of default from the Government of Kenya.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

a. Credit risk *(continued)*

c) Financial Assets at amortised cost-Loan Receivables

Internal rating grade	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Performing					
High grade	586,805	-	-	586,805	611,535
Standard grade	-	-	-	-	-
Past due but not impaired	62,529	-	-	62,529	17,522
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	649,334	-	-	649,334	629,057
(ECL)/Write backs	(4,800)	-	-	(4,800)	(11,553)
Total Net Amount	644,534	-	-	644,534	617,504

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

e) GROUP

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Gross carrying amount as at 1 January	617,504	-	-	617,504	821,784
New assets purchased	353,066	-	-	353,066	189,922
Assets matured	(321,236)	-	-	(321,236)	(382,649)
Accrued interest capitalised	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL					
At 31 December	649,334	-	-	649,334	629,057

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
ECL as at 1 January	11,553	-	-	11,553	16,272
New assets	1,608	-	-	1,608	8,883
Assets matured	(17,961)	-	-	(17,961)	(13,602)
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	(4,800)	-	-	(4,800)	11,553

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

a. Credit risk *(continued)*

(a) COMPANY

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Internal rating grade					
Performing					
High grade	9,275	-	-	9,275	35,174
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	9,275	-	-	9,275	35,174
(ECL)/Write backs	-	-	-	-	-
Total Net Amount	9,275	-	-	9,275	35,174

b) COMPANY

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Gross carrying amount as at 1 January	35,174	-	-	35,174	115,363
New assets purchased	-	-	-	-	894
Assets matured	(25,899)	-	-	(25,899)	(81,083)
Accrued interest capitalised	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	9,275	-	-	9,275	35,174

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
ECL as at 1 January	5	-	-	5	5
New assets	-	-	-	-	-
Assets matured	(5)	-	-	(5)	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	-	-	-	-	5

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.2 Financial risks (continued)

a. Credit risk *(continued)*

iv) Deposits with financial institutions

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Internal rating grade					
Performing					
High grade	3,949,313	-	-	3,949,313	5,281,341
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	26,851	26,851	26,851
Total Gross	3,976,164	-	26,851	3,976,164	5,308,192
(ECL)/Write backs	(30,509)	-	-	(30,509)	(54,204)
Total Net Amount	3,945,655	-	-	3,945,655	5,253,988

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Gross carrying amount as at 1 January	5,308,192	-	-	5,308,192	2,222,228
New assets purchased	7,743,678	-	-	7,743,678	3,962,232
Assets matured	(9,075,706)	-	-	(9,075,706)	(876,268)
Write off	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	3,976,164	-	-	3,976,164	5,308,192

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
ECL as at 1 January	27,353	-	26,851	54,204	56,317
New assets		-	-	-	(2,996)
Assets matured	(20,288)	-	(3,407)	(23,695)	883
Unwind of discount	-	-	-		-
Movement between 12m ECL and LTECL	-	-	-	-	-
	7,065	-	23,444	30,509	54,204

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

a. Credit risk *(continued)*

f) COMPANY

Internal rating grade	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
High grade	71,650	-	-	71,650	1,366,178
Standard grade	-	-	-	-	-
Past due but not impaired		-	-		-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	71,650	-	-	71,650	1,366,178
(ECL)/Write backs	-	-	-	-	-
Total Net Amount	71,650	-	-	71,650	1,366,178

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

g) COMPANY

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Gross carrying amount as at 1 January	1,366,178	-	-	1,366,178	1,849,624
New assets purchased	-	-	-	-	-
Assets matured	(1,294,528)	-	-	(1,294,528)	(483,446)
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	71,650	-	-	71,650	1,366,178

h) COMPANY

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
ECL as at 1 January	7,804	-	-	7,804	7,804
New assets	-	-	-	-	-
Assets matured	(4,927)	-	-	(4,927)	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	2,877	-	-	2,877	7,804

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

a. Credit risk *(continued)*

v) Financial assets at amortised cost -Deposits and commercial paper

Internal rating grade	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Performing					
High grade	156,019	-	-	156,019	94,403
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	156,019	-	-	156,019	94,403
(ECL)/Write backs	(587)	-	-	(587)	(386)
Total Net Amount	155,432	-	-	155,432	94,017

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:
2019

w) GROUP

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Gross carrying amount as at 1 January	94,017	-	-	94,017	1,295,182
Transfers	-	-	-	-	(1,216,981)
New assets purchased	218,726	-	-	218,726	80,700
Assets matured	(155,395)	-	-	(155,395)	(1,546)
Accrued interest capitalised	(1,329)	-	-	(1,329)	7,949
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	156,019	-	-	156,019	165,304

x) GROUP

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
ECL as at 1 January	386	-	-	386	604
New assets	201	-	-	201	(309)
Assets matured					91
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	587	-	-	587	386

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

a. Credit risk *(continued)*

y) Financial assets at amortised cost -Related parties

Internal rating grade	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Performing					
High grade	126,664	-	-	126,664	103,263
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	126,664	-	-	126,664	103,263
(ECL)/Write backs	(371)	-	-	(371)	(265)
Total Net Amount	126,293	-	-	126,293	102,998

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:
2018

z)

GROUP	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Gross carrying amount as at 1 January	103,263	-	-	103,263	45,886
New assets purchased	23,030	-	-	23,030	57,377
Assets matured		-	-	-	-
Accrued interest capitalized	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	126,293	-	-	126,293	103,263

aa)

GROUP	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
ECL as at 1 January	265	-	-	265	-
New assets	106	-	-	106	265
Assets matured	-	-	-		-
Unwind of discount	-	-	-		-
Movement between 12m ECL and LTECL	-	-	-		-
	371	-	-	371	265

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

a. Credit risk *(continued)*

Other receivables

2019	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Internal rating grade					
Performing					
High grade	342,642	-	-	342,642	231,588
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	342,642	-	-	342,642	231,588
(ECL)/Write backs	(2813)	-	-	(2813)	(2896)
Total Net Amount	339,829	-	-	339,829	228,692

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:
2018

z) GROUP

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
Gross carrying amount as at 1 January	228,692	-	-	228,692	249,650
New assets purchased	111,137	-	-	111,137	-
Assets matured	-	-	-	-	(20,958)
Accrued interest capitalized	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	339,829	-	-	339,829	228,692

aa) GROUP

	STAGE 1 KShs'000	STAGE 2 KShs'000	STAGE 3 KShs'000	Total 2019 KShs'000	Total 2018 KShs'000
ECL as at 1 January	2,896	-	-	2,896	-
New assets		-	-	-	2,896
Assets matured	(83)	-	-	(83)	-
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	2,813	-	-	2,813	2,896

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 Financial risks (continued)

a. Credit risk *(continued)*

The table below indicates the maximum exposure of assets bearing credit risk:

	2019 KShs'000	2018* KShs'000
Corporate bonds at amortised cost	290,233	522,067
Government securities at amortised cost	1,941,363	1,784,398
Loans receivable	644,534	617,504
Government securities at fair value through OCI	7,275,133	5,841,496
Deposits and commercial paper	1,641,933	1,119,994
Receivables arising out of direct insurance arrangements	1,583,066	1,627,426
Receivables arising out of reinsurance arrangements	2,347,976	1,933,652
Other receivables	339,353	228,692
Due from related parties	126,293	102,998
Deposits with financial institutions	3,945,655	5,253,988
Cash and bank balances	813,183	438,294
Total	20,948,722	19,470,509

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

Short term business

Impaired financial assets

At 31 December 2018, there are impaired insurance assets of KShs 1.4 billion (2018: KShs 1.3 b million).

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:

	2019 KShs '000	2018 KShs '000
At 1 January	1,344,067	1,256,686
Charge for the year	106,357	87,381
At 31 December	1,450,424	1,344,067

The loans receivables have collateral held on them of KShs 533 million (2018: KShs 915 million). No collateral is held in respect of the other 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 2019.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.2 Financial risks (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 net 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.

The table below provides a contractual maturity analysis of the group's financial assets and liabilities:

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.2 Financial risks (continued)

b. Liquidity risk (continued)

The table below provides a contractual maturity analysis of the group's financial assets and liabilities:

	31 December 2019				31 December 2018*			
	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	69,376	88,433	157,084	314,893	-	-	548,170	548,170
Financial assets at amortised cost -Government securities	-	171,957	2,378,051	2,550,008	-	192,066	1,719,719	1,911,785
Financial assets at amortised cost -Loans receivable	-	4,837	733,088	737,925	4,465	4,465	615,877	624,807
Financial assets at fair value through other comprehensive income -Government securities	24189	36989	15,708,679	15,769,857	-	-	5,958,326	5,958,326
Financial assets at fair value through profit or loss -Equity instruments	1,439,666	-	-	1,439,666	1,329,421	-	-	1,329,421
Financial assets at amortised cost -Deposits and commercial paper	125,348	30,084	-	155,432	94,017	-	-	94,017
Investments in collective investment schemes at fair value through Profit or loss	1,486,501	-	-	1,486,501	1,025,977	-	-	1,025,977
Receivables arising out of direct insurance arrangements	1,583,066	-	-	1,583,066	1,627,426	-	-	1,627,426
Receivables arising out of reinsurance arrangements	2,347,976	-	-	2,347,976	1,902,239	-	-	1,902,239
Other receivables	339,533	-	-	339,533	228,692	-	-	228,692
Due from related parties	126,293	-	-	126,293	102,998	-	-	102,998
Deposits with financial institutions	3,945,655	-	-	3,945,655	5,253,988	-	-	5,253,988
Cash and cash equivalents	813,183	-	-	813183	456,012	-	-	456,012
Total financial assets	12,300,786	332,300	18,976,902	31,609,988	12,025,235	196,531	8,842,092	21,063,858
Borrowings	-	3,748,531	-	3,748,531	-	5,129,914	-	5,129,914
Lease Liability	-	73,824	119,370	193,194	-	-	-	-
Other payables	1,251,947	-	29391	1,281,338	1,014,747	-	-	1,014,747
Payables arising from reinsurance arrangements and insurance bodies	20,083	84,609	-	104,692	245,047	-	-	245,047
Deposits administration contracts	1,091,622	196,985	2,901,406	4,190,013	116,177	116,177	2,891,762	3,124,116
Insurance contracts liabilities	6,297,999	196,985	3,416,378	9,911,362	229,064	229,064	5,399,333	5,857,461
Total financial liabilities	8,661,651	4,300,934	6,466,545	19,429,130	1,605,035	5,475,155	8,291,095	15,371,285
Net liquidity gap	3,639,135	(3,968,634)	12,510,357	12,180,858	10,420,200	(5,278,624)	550,997	5,692,573

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

55. INSURANCE AND FINANCIAL RISK *(continued)*
55.2 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.

I). 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 group to cash flow interest risk, whereas fixed interest rate instruments expose the group 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. The group's assets are not exposed to interest rate risk because the interest rates are contractually are fixed.

55. INSURANCE AND FINANCIAL RISK *(continued)*

55.2 Financial risks (continued)

c. Market Risk *(continued)*

II). 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 available for sale 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).

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% (2018: 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 (2018: KShs 2,487,400).

iii). Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

56. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

56. FAIR VALUE MEASUREMENT *(continued)*

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.

31-Dec-19	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000	Carrying amounts
Recurring fair value Measurements					
Corporate bonds	-	275,986	-	275,986	281,134
Equity investments classified:					
-at fair value through profit or loss	1,428,193	-	-	1,428,193	1,428,193
- at fair value through OCI	-	20,236	-	20,236	20,236
Government securities classified at fair value through OCI	7,275,133	-	-	7,275,133	7,275,133
Government securities at amortised cost	1,792,399	-	-	1,792,399	1,757,372
Loans receivables	-	555,824	-	555,824	675,655
Deposits and commercial paper	-	73,718	-	73,718	76,790
Investments in collective investments schemes	-	853,144	-	853,144	853144
Owner occupied property and equipment	-	-	409,795	409,795	409,795
Investment properties	-	-	3,783,875	3,783,875	3,783,875
Total assets at fair value	10,495,725	1,778,908	4,193,670	16,468,303	16,561,327
Deposits administration contracts	-	-	4,370,396	4,370,396	4,370,396
Unit linked contracts	-	-	514,972	514,972	514,972
Total liabilities at fair value	-	-	4,885,368	4,885,368	4,885,368

56. FAIR VALUE MEASUREMENT *(continued)*

31 December 2018	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000	Carrying amounts
Recurring fair value Measurements					
Corporate bonds	-	511,626	-	511,626	522,067
Equity investments classified:					
- at fair value through profit or loss	1,329,421	-	-	1,329,421	1,329,421
- at fair value through OCI	-	18,212	-	18,212	18,212
Government securities classified at fair value through OCI	5,841,496	-	-	5,841,496	5,841,496
Government securities at amortised cost	1,784,398	-	-	1,784,398	1,784,398
Loans receivables	-	617,504	-	617,504	518,280
Deposits and commercial paper	-	1,295,182	-	1,295,182	-
Investments in collective investments schemes	-	1,025,977	-	1,025,977	1,025,977
Owner occupied property and equipment	-	-	716,691	716,691	716,691
Investment properties	-	-	7,231,475	7,231,475	7,231,475
Total assets at fair value	8,955,315	3,468,501	7,948,166	20,371,982	18,988,017
Deposits administration contracts	-	-	3,124,116	3,124,116	3,124,116
Unit linked contracts	-	-	474,554	474,554	474,554
Total liabilities at fair value	-	-	3,598,670	3,598,670	3,598,670

Valuation methods used in determining the fair value of assets and liabilities

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

56. FAIR VALUE MEASUREMENT *(continued)*

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31December 2019 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.

57. GOING CONCERN STATUS OF THE SUBSIDIARIES

CIC Africa (Uganda) Limited

The subsidiary is technically insolvent. It reported a profit of KShs 90 million for the year ended 31 December 2019 (2018 - loss of KShs 177 million). In addition, the subsidiary's accumulated losses stood at KShs. 456 million (2018 - KShs 521 million) as at 31 December 2019 while its total liabilities exceeded total assets by KShs 168 million (2018 – net asset position of KShs 245 million).

The conditions detailed, cast significant doubt on their ability to continue as a going concern. However, the subsidiary relies on the parent company for provision of working capital and their ability to continue as a going concern depends on the continued support they receive from the parent company. The parent company confirms its commitment to continue giving financial support to the subsidiaries, and it has issued an undertaking in this respect to the subsidiary. The undertaking affirms the parent company commitment to continue providing sufficient financial support, if necessary, to enable the subsidiaries meet their financial obligations, as and when they fall due, and to ensure they continue trading into the foreseeable future.

Further, the directors have assessed business outlook of the subsidiary, and they are confident that their financial performance will improve, and they will become profitable in the foreseeable future. The directors have no immediate plan to cease operations for any of the subsidiaries, and /or liquidate them.

Therefore, the directors believe the financial statements of the subsidiary be prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the subsidiaries will have

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

57. GOING CONCERN STATUS OF THE SUBSIDIARIES *(continued)*

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 132 million (2018: profit of KShs 335 million) for the year ended 31 December 2019 and as that date, total assets exceeded total liabilities by KShs 4 billion (2018- KShs 4.1 billion) However, we noted current liabilities exceeded current assets by KShs 365 million (2018-Current assets exceeded current liabilities by KShs 3.4 billion). This is an indicator that the company may not be able meet its current liabilities as and when they fall due.

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.

58. PRIOR YEAR ADJUSTMENT

CIC Life Assurance Limited had not recognised gross claims amounting to KShs 99 million at the end of 2018 which were subsequently discovered by management in 2019. As a result, actuarial reserves for the claims were also understated by KShs 177 million in the year ended 31 December 2018. The financial statements for the year ended 31 December 2018 have been restated to correct these misstatements. The adjustments summarized below have been affected to correct these misstatements

For the year ended 31 December 2018	As previously stated KShs '000	Adjustments KShs '000	As Restated KShs '000
Effect on statement of profit and loss (dr. / (cr.))			
Gross benefits and claims paid incurred claims	(9,736,515)	(99,417)	(9,835,932)
Gross change in insurance contract liabilities	(1,285,159)	31,413	(1,253,746)
Change in contract liabilities ceded to reinsurers	953,110	(177,583)	775,527
claims ceded to reinsurers	818,509	39,273	857,782
Tax charge(credit)	(226,258)	61,894	(164,364)
Effect on statement of financial position (dr. / (cr.))			
Receivables arising out of reinsurance arrangements	1,902,239	31,413	1,933,652
Reinsurers share of liabilities and reserves	2,146,606	39,273	2,185,879
Deferred taxation	495,824	(61,894)	433,930
Actuarial value of policyholder liabilities	5,166,952	177,583	5,344,535
Insurance contracts liabilities	5,242,071	99,417	5,341,488
Effect on statement of changes in equity (dr. / (cr.))			
Statutory Reserve	1,153,976	(144,420)	1,009,556
Effect on statement of cashflows (dr. / (cr.))			
Increase in insurance contract liabilities	544,214	99,417	643,631
Increase in receivables arising out of reinsurance arrangements	(473,023)	(31,413)	(504,436)
Reinsurance share of liabilities and reserves	105,963	(39,273)	66,690
Increase in actuarial value of policyholders' liabilities	898,072	177,583	1,075,655

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2019

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 and the Group.

62. EVENTS AFTER REPORTING DATE

Except for impact of COVID-19 and the sale of investment property as discussed below, there are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

The outbreak of the Coronavirus Disease2019 (COVID-19) has stricken communities across the globe. The virus' rapid geographical spread has caught the world off-guard, with major implications for personal health, business continuity and the world economic order. Globally, integrated supply chain models have been disrupted, threatening a financial slow-down. Management assessed that continued spread of the virus is likely to affect the life business through increased claims in case of mortality from the pandemic, increase in defaults for insurance premiums due to slow economic growth and slump in investment income owing to dip in performance of the Nairobi Securities Exchange. For general insurance, a decline in motor class as fewer individuals are driving to and from work is expected, while a growth in employee liability and WIBA if cases of contracting the disease while at work can be proven. Other classes will not be directly impacted in the meantime. Claims ratios except for medical class are expected to remain largely the same.

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

As the country is still in the early stages of the outbreak, an estimate of the expected financial effect cannot be reliably measured.

At the date of signing of these accounts, the Board of Directors has received an offer for purchase of its land LR 28800/951 (measuring approximately 200 acres) in Kiambu County which it intends to accept and complete the sale of the Property, subject to receipt of all regulatory approval. As this constitutes more than 25% of the total assets of the Company (not the Group Companies), effecting the transaction requires that shareholders' approval is sought prior to the sale of land. In light of the current government directive in relation to the Covid -19 pandemic, the Board cannot call for an Annual General Meeting or Extra Ordinary General meeting at this time but will however seek a ratification of the sale in the next Annual General meeting which will be called soon as the restrictions on public gatherings are eased off.

CIC LIFE ASSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

APPENDIX I

	Ordinary Life KShs '000	Group Life KShs '000	Total 2019 KShs '000	Total 2018* KShs '000
Gross written premiums	1,438,123	3,559,770	4,997,893	5,093,135
Less: Reinsurance premiums ceded	(16,519)	(951,794)	(968,313)	(931,756)
Net earned premiums	1,421,604	2,607,976	4,029,580	4,161,379
Claims and Policyholders' benefits:				
Life and health claims	(14,003)	(1,440,942)	(1,454,945)	(1,306,874)
Maturities	(463,445)	-	(463,445)	(416,792)
Surrenders	(123,763)	-	(123,763)	(113,581)
Actuarial reserves	(663,276)	(182,360)	(845,636)	(1,103,664)
Net claims and policyholders' benefits	(1,264,487)	(1,623,302)	(2,887,789)	(2,940,911)
Commissions paid	(120,685)	27,380	(93,305)	(97,982)
Expenses of management	(307,949)	(1,185,854)	(1,493,803)	(1,448,672)
Premium tax	4,281	-	4,281	(9,558)
Total expenses and commissions	(424,353)	(1,158,474)	(1,582,827)	(1,556,212)
Investment income	317,803	286,181	603,984	317,813
Profit before taxation	50,567	112,381	162,948	(17,931)
Taxation charge	-	(48,884)	(48,884)	39,879
Profit for the year	50,567	63,497	114,064	21,948
Increase in life fund for the year	50,567	63,497	114,064	21,948

**Certain figures shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed in note 58.*

The revenue account was approved by the board of directors on 17th March, 2020 and was signed on its behalf by:

Japheth Magomere, OGW,
Chairman CIC Group.

Jyoti Patel,
Director.

CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

APPENDIX II

	C.A.R & Engin-eering KShs.'000	Fire Domestic KShs.'000	Fire Industrial KShs.'000	Liability Insurance KShs.'000	Marine & Transit KShs.'000	Motor Private KShs.'000	Motor Com-mercial KShs.'000	Motor Pool KShs.'000	Medical insurance KShs.'000	Personal Accident KShs.'000	Theft Insurance KShs.'000	Work men's Comp. KShs.'000	Misc. Accident KShs.'000	Micro solutions KShs.'000	Total 2019 KShs.'000
Gross premium written	436,209	84,593	730,134	99,087	86,433	2,187,823	2,115,011	-	3,497,363	253,888	595,043	394,202	166,231	8,076	10,654,093
Unearned premium transferred in	216,895	31,252	276,502	38,164	31,785	961,479	990,948	-	1,034,234	53,351	149,254	127,450	54,032	8,721	3,974,067
Unearned premium c/f	270,561	27,003	283,316	46,016	19,318	954,986	923,244	-	1,249,590	45,419	177,008	116,698	34,198	14,842	4,162,199
Gross earned premium	382,543	88,842	723,320	91,235	98,900	2,194,316	2,182,715	-	3,282,007	261,820	567,289	404,954	186,065	1,955	10,465,961
Reinsurance premium	(291,682)	(2,811)	(474,364)	(19,530)	(22,764)	(73,477)	(71,756)	-	(88,981)	(56,355)	(117,961)	(43,320)	(202,445)	-	(1,465,446)
Net earned premium	90,861	86,031	248,956	71,705	76,136	2,120,839	2,110,959	-	3,193,026	205,465	449,328	361,634	(16,380)	1,955	9,000,515
Gross claims paid	23,664	12,871	79,494	220,644	16,117	1,946,586	1,426,799	-	2,576,317	72,989	76,864	194,120	93,965	11,811	6,752,241
Outstanding claims c/f	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	5,837	4,608,431
Outstanding claims transferred in	60,233	6,165	88,805	768,484	39,178	1,285,853	1,224,872	2,092	281,108	77,156	125,563	304,883	83,365	5,838	4,353,595
Gross claims incurred	21,922	14,981	172,856	19,485	25,524	2,158,115	1,537,351	-	2,585,369	98,857	158,386	170,787	31,634	11,810	7,007,077
Recoveries	5,160	(397)	(80,650)	37,956	(997)	(205,012)	(139,747)	-	(58,529)	(38,688)	(9,247)	(14,489)	(29,643)	(693)	(534,976)
Net incurred Claims	27,082	14,584	92,206	57,441	24,527	1,953,103	1,397,604	-	2,526,840	60,169	149,139	156,298	1,991	11,117	6,472,101
Commission receivable	102,956	296	218,645	5,134	6,996	-	-	-	-	11,904	33,148	3,798	62,500	-	445,377
Commissions payable	64,651	16,653	176,766	17,267	17,877	268,575	279,142	-	302,522	49,665	99,350	78,357	18,476	790	1,390,091
Net commission	(38,305)	16,357	(41,879)	12,133	10,881	268,575	279,142	-	302,522	37,761	66,202	74,559	(44,024)	790	944,714
Management Expenses	35,218	28,391	105,902	15,414	45,762	450,290	573,866	-	230,413	106,661	183,426	77,233	50,566	7,507	1,910,649
Premium Tax	5,374	1,042	8,995	1,221	1,065	26,952	26,055	-	43,085	3,128	7,331	4,856	2,048	98	131,250
Total	40,592	29,433	114,897	16,635	46,827	477,242	599,921	-	273,498	109,789	190,757	82,089	52,614	7,605	2,041,899
Total claims expenses and commissions	(11,223)	30,941	50,327	69,574	35,408	2,221,678	1,676,746	-	2,829,362	97,930	215,341	230,857	(42,033)	11,907	7,416,815
Underwriting profit/(loss)	61,492	25,657	83,732	(14,504)	(6,099)	(578,081)	(165,708)	-	90,166	(2,254)	43,230	48,688	(26,961)	(17,557)	(458,199)

The revenue account was approved by the board of directors on 17th March, 2020 and was signed on its behalf by:

Japheth Magomere, OGW,
Chairman CIC Group.

Jyoti Patel,
Director.

CIC INSURANCE GROUP PLC
GLOSSARY OF INSURANCE TERMS
FOR THE YEAR ENDED 31 DECEMBER 2019

APPENDIX III

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 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

NOTICE IS HEREBY GIVEN that the Forty First (41st) Annual General Meeting of the shareholders of the **CIC INSURANCE GROUP PLC** will be held via electronic communication, on Tuesday 29th September 2020 at 10.00am to transact the business as set out below.

(NB: The Company wishes to notify its shareholders that physical attendance in person at the Annual General Meeting will not be possible as a result of the current COVID 19 pandemic and the various restrictions placed by the Government of Kenya on public gathering and social distance. To that end, it's Forty First Annual General Meeting will be held via electronic communication in the manner outlined in this Notice. Shareholders (or their proxies), are requested to participate in the Annual General Meeting via the electronic mode provided. Further information on how to participate is set out in this Notice.)

AGENDA

Ordinary Business

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the Meeting.
3. To receive, consider and if thought fit, adopt Annual Report and Financial Statements for the year ended 31st December 2019 together with the Directors' and Auditors Reports thereon.
4. To note the Directors' recommendation that no dividends or other distributions will be declared or made for the financial year 2019.
5. To elect Directors:
   a. Japheth Magomere retires by rotation in accordance with Article 125 of the Company's Articles of Association, and being eligible offers himself for re-election.
   b. Michael Wambia retires by rotation in accordance with Article 125 of the Company's Articles of Association, and being eligible offers himself for re-election.
   c. Election of David Ngunjiri as a Director, having been nominated by Co-operative Insurance Society Limited in accordance with Article 131 of the Company's Articles of Association subject to regulatory approval.
   d. Election of Patrick Nyaga as a Director in accordance with Article 131 of the Company's Articles of Association subject to regulatory approval.
   e. Election of Nelson Kuria as a Director in accordance with Article 131 of the Company's Articles of Association subject to regulatory approval.
   f. To note the retirement of Directors Jonah Mutuku and John Mbitu who have served their full tenures.
6. To approve the remuneration of Directors and the Directors' Remuneration Report for the year ended 31st December 2019.
7. To appoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the new Auditors of the Company in place of Ernst & Young, Certified Public Accountants (whose term expires at the end of this meeting) until conclusion of the next Annual General Meeting and to authorize Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS;

8. 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 allow for the Company to hold virtual meetings and to align the Articles of Association to the recent changes to the Companies Act, No 17 of 2015 with respect to the Common Seal.

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

9. To consider any other business for which due notice has been given.

Dated at Nairobi this 4th day of September 2020
By Order of the Board,

GAIL ODONGO
GROUP COMPANY SECRETARY AND CHIEF LEGAL OFFICER

NOTES:

1. In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related Public Health Regulations and directives passed by the Government of Kenya precluding interalia public gatherings, it is impracticable, for CIC Insurance Group PLC to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.

2. On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of2020, made under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) issued an order granting special dispensation to any company listed on the Nairobi Securities Exchange ("Public Company") to convene and conduct a virtual general meeting subject to receipt of a No Objection from the Capital Markets Authority (CMA).

3. CIC Insurance Group Plc has convened and will conduct its Forty First Annual General Meeting via virtual/ electronic means following receipt of a No Objection from the Capital Markets Authority.

4. Shareholders wishing to participate in the meeting should register for the AGM by dialing *483*812# for all networks and following 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 9:00 a.m. to 3:00 p.m. from Monday to Friday.

5. Registration for the AGM opens on 7th day of September, 2020 at 9:00 am and will close on Sunday 27th September 2020 at 5.00pm. Shareholders will not be able to register after Sunday 27th September, 2020 at 5.00pm.

6. 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 2019; (iii) Copy of the Amended Articles of Association; (iv) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (v) a copy of the No Objection issued by the CMA.

7. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
   a). sending their written questions by email to cicshares@image.co.ke
   b). shareholders who will have registered to participate in the meeting shall be able to ask questions vis 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.

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number and mobile number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before Monday 28th September, 2020 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 Annual general meeting.

8. 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 attached to this Notice and is availableon 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 under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to cicshares@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 September 2020 at 10:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Sunday 27th September 2020 at 10:00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 28th September, 2020 to allow time to address any issues.

9. 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.

10. 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.

11. A poll shall be conducted for all the resolutions put forward in the notice.

12. Results of the AGM shall be published on the Company's website within 24 hours following conclusion of the Annual General Meetings.

In light of the escalating COVID-19 pandemic, we encourage our Shareholders to monitor the CIC Insurance Group Plc's website for updates *(if any)* post the issuing of this Notice.

PROXY FORM

THE COMPANY SECRETARY,
CIC INSURANCE GROUP PLC
CIC PLAZA, MARA ROAD, UPPERHILL NAIROBI,
P. O. BOX 59485
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 Tuesday 29th September, 2020 at 10.00am and at any adjournment thereof.

Signed this ____________ day of ______________________, 2020

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

ORDINARY BUSINESS			
RESOLUTION	FOR	AGAINST	WITHHELD
Approval of the Report and Financial Statements for the Year ended 31 December, 2019			
Re-election of Japheth Magomere			
Re-election of Michael Wambia			
Election of David Ngunjiri			
Election of Patrick Nyaga			
Election of Nelson Kuria			
Approve the remuneration of Directors and the Directors' Remuneration Report			
Appoint Messrs. PriceWaterhouseCoopers, Certified Public Accountants, as the Auditors of the Company and Authorize Directors to fix the remuneration of the Auditors.			
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 allow for the Company to hold virtual meetings and to align the Articles of Association to the recent changes to the Companies Act, No 17 of 2015 with respect to the Common Seal.			

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 September, 2020.

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 cicshares@image.co.ke to arrive not later than 10:00 a.m. on 27th September, 2020 i.e. 48 hours before the meeting or any adjournment thereof.
2. 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.
3. 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
4. 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.
5. 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 September 2020 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.
6. 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.
7. 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 GROUP

NOTEPAD

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
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KIAMBU BRANCH
Bishop Ranji Cathedral Plaza,
2nd & 3rd Floor
Tel: 0703 099 630
kiambu@cic.co.ke

NYERI BRANCH
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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
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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
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ELDORET BRANCH
Co-operative Building, 1st Floor
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eldoret@cic.co.ke

KISII BRANCH
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Kisii-Kisumu Highway
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0703 099 701
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Ground Floor, Nkrumah Road
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KITALE BRANCH
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kitale@cic.co.ke

BOMET BRANCH
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CIC INSURANCE GROUP PLC

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GENERAL • LIFE • HEALTH • ASSET

CIC GROUP