

# Scaling New Horizons

## 2021 INTEGRATED REPORT



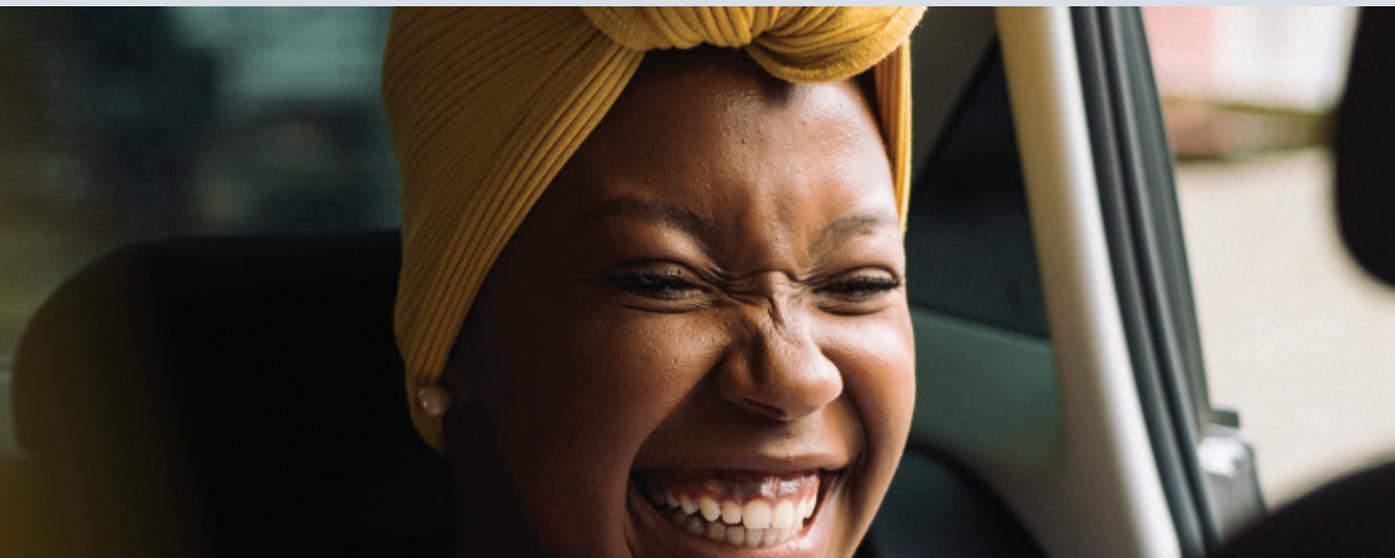
TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES



THE NAIROBI DECLARATION ON  
SUSTAINABLE INSURANCE



# CONTENTS



Foreword	4-5		
<b>1 - WHO WE ARE</b>		<b>2 - WHERE &amp; HOW WE OPERATE</b>	
About ICEA LION Group	7-8	Operating Context	33-34
Our Mission, Vision, Core Values & Brand Promise	9	Stakeholder Mapping	35-36
Our History	10	Our Business Model	37
Our Regional Footprint	11	Our Strategy	38-39
Our Leadership Structure	12		
How We Create Value	13	<b>3 - GOVERNANCE STATEMENTS</b>	
Chairman's Statement	14-16	Chairman's Governance Statement	41-49
Our Board of Directors	17	Board Finance & Investment Committee	50-51
Chief Executive Officers' Statements	18-21	Board Audit & Risk Committee	52-54
Our Leadership Team	22	Board Remuneration & Nominations Committee	55-56
Chief Financial Officer's Review	23-31	Board Growth, Innovation & ICT Committee	57-58
		<b>4 - OUR RISK LANDSCAPE</b>	
		Dynamic Risk Assessment	60
		Governance, Risk and Compliance	61
		Our Approach to Risk Management	62-70

## 5 - OUR VALUE CREATION

Our Approach: The 6 Capitals Model	72-73
Materiality Assessment	74
Human Capital	75-79
Intellectual Capital	81-82
Social & Relationship Capital	83-86
Natural Capital	87-88
Manufactured Capital	89-90
Financial Capital	91-93

## 2020 Audited Financial Statements:

Report of the directors	95-96
Statement of directors' responsibilities	97
Report of parent company consulting actuary	98
Independent auditor's report	99-102
Financial Statements:	
Consolidated & Company Statements of Comprehensive Income	103-104
Consolidated & Company Statements of Financial Position	105-106
Consolidated & Company Statement of Changes in Equity	107-108
Consolidated & Company Statements of Cash Flows	109
Notes	110-182

## Supplementary Information:

Consolidated Long Term Revenue Account	183
Company Long Term Revenue Account	184
Consolidated Short Term Revenue Account - 2021	185
Consolidated Short Term Revenue Account -2020	186

## 7 - APPENDICES

Corporate Information	188
CSR/CSI Initiatives Listing 2013 - 2020	189-191
Awards & Accolades 2012 - 2020	192-193
GCR Rating	193
Agents' Awards 2020 - 2021	194
Reporting Guidance Index	195
Our Integrated Report Lab Team	196 -197



# FOREWORD

## SCALING NEW HORIZONS

For over 100 years, ICEA LION has consolidated its resilience and assisted its clients in sustainably protecting and creating their wealth. It has remained this way even in the unprecedented period of the COVID 19 pandemic. Our sustainable value creation story continues to be based on integrated thinking, and our performance on each of the 6 capitals is testament to this. Our relentless pursuit of best practice with regard to corporate governance and excellence in how we operate are qualities that people look for in a brand that adds value to the lives of customers, agents, employees, investors and other partners.

Much happened in the year 2021. We weathered a difficult period in the previous year and continued to adapt by embracing agility and other practices.

The Annual Integrated Report is the core report for the Group providing material financial and non-financial information. It explains our value creation process across the 6 capitals, the connections between the context we operate in, our strategy and the corporate governance structure that underpins this. Information in the Annual Integrated Report refers to topics classified as significant through a materiality analysis process.

## THE 6 CAPITALS AND OUR VALUE CREATION PROCESS

For the purpose of integrated reporting, the factors that flow through ICEA LION for it to create its value are divided into 6 capitals, being financial, manufactured, intellectual, human, social & relationship and natural capital. It is our belief that revealing our strengths and vulnerabilities will not only boost our bid to scale the heights of best practice with regards to relational thinking and corporate governance, but also increase our social license to operate as we showcase the heart and soul of ICEA LION.

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

## OUR PAST REPORTS



## MATERIALITY

This report regards material aspects as those which are likely to impact the Group's ability to achieve its strategy; remain commercially viable; environmentally and socially relevant; and to substantially influence the assessment and decisions of our stakeholders. In pursuing our strategy, we will continue to carefully use the range of capitals available to us as we consider their interconnectedness. This will in turn help us create value for our internal and external stakeholders.

## FRAMEWORKS USED

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

## REPORTING PERIOD & RESPONSIBILITY OF THE INTEGRATED REPORT

The Integrated Report has been prepared for the period 1 January to 31 December 2021 and covers the activities of ICEA LION Life Assurance Company Limited and its subsidiaries.

The Board of ICEA LION Life Assurance Company Limited is responsible for the Annual Integrated Report, which is presented in accordance with the Guiding Principles and Content Elements established by the International <IR> Framework. The Board, through its Committees, are regularly engaged by management in the approach to the preparation and presentation of this report.

## ACTING AS A RESPONSIBLE LEADER

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

In this regard, in April 2021, we hosted delegates from Africa and the rest of the world in the first ever Principles for Sustainable Insurance market event in East and Central Africa. During this historic meeting, in conjunction with the UNEP's FI, we co-developed a statement of commitment for sustainable insurance linked to the United Nations Sustainable Development Goals (SDG). The commitment was dubbed "The Nairobi Declaration on Sustainable Insurance" which aims to promote collaboration among all like minded stakeholders to promote the goal of sustainable and inclusive development through their business practices. We currently have 15 signatories to this declaration and we expect this number to increase in 2022. We also forged a very strong partnership with Financial Sector Deepening (FSD) Africa to catalyze the progression of this initiative in Africa.

2021 was also the year we joined the UN-convened Net-Zero Insurance Alliance (NZIA) which brings together some of the world's leading insurers and reinsurers to play their part in accelerating the transition to low carbon emissions by 2050. We see sustainability as a long-term value driver and the NZIA is an important step towards building a sustainable future for everyone. NZIA reinforces our deep commitment to continue to engage with our customers to deliver solutions that support their resilience in current times and more importantly in the medium to long-term.

We cannot do it alone; it takes partnerships like these to address these big and emerging challenges. As a NZIA member, we commit to setting science-based intermediate targets every five years and independently report on our progress on an annual basis.

## OUR TRIPLE ROLE

As a Group, we play a triple role for the communities we serve: that of a risk manager, risk carrier and investor. As risk managers, we help communities understand, prevent and reduce risk. As risk carriers where we protect communities financially by paying their claims, and as investors we place insurance premiums into different asset classes in the financial markets. In this, we will continue to seek collaborative engagements to tackle sustainability and climate risk challenges as we support our countries' efforts towards more resilient economies.



## THE NAIROBI DECLARATION ON SUSTAINABLE INSURANCE

Note: To read more about the Nairobi Declaration on Sustainable Insurance please visit this website

[www.sustainableinsurancedeclaration.org](http://www.sustainableinsurancedeclaration.org)





**ICEA LION**  
LIFE ASSURANCE

**WHO WE ARE**

---

**01**

## ABOUT ICEA LION GROUP

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

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

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

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

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

ICEA LION Group companies are owned by ICEA LION Insurance Holdings Limited. Our life and non-life companies are ICEA LION Life Assurance Company Ltd and ICEA LION General Insurance Company Ltd respectively. ICEA LION Asset Management Ltd and ICEA LION Trust Company Limited Ltd are our investment and individual and corporate trusteeship companies.

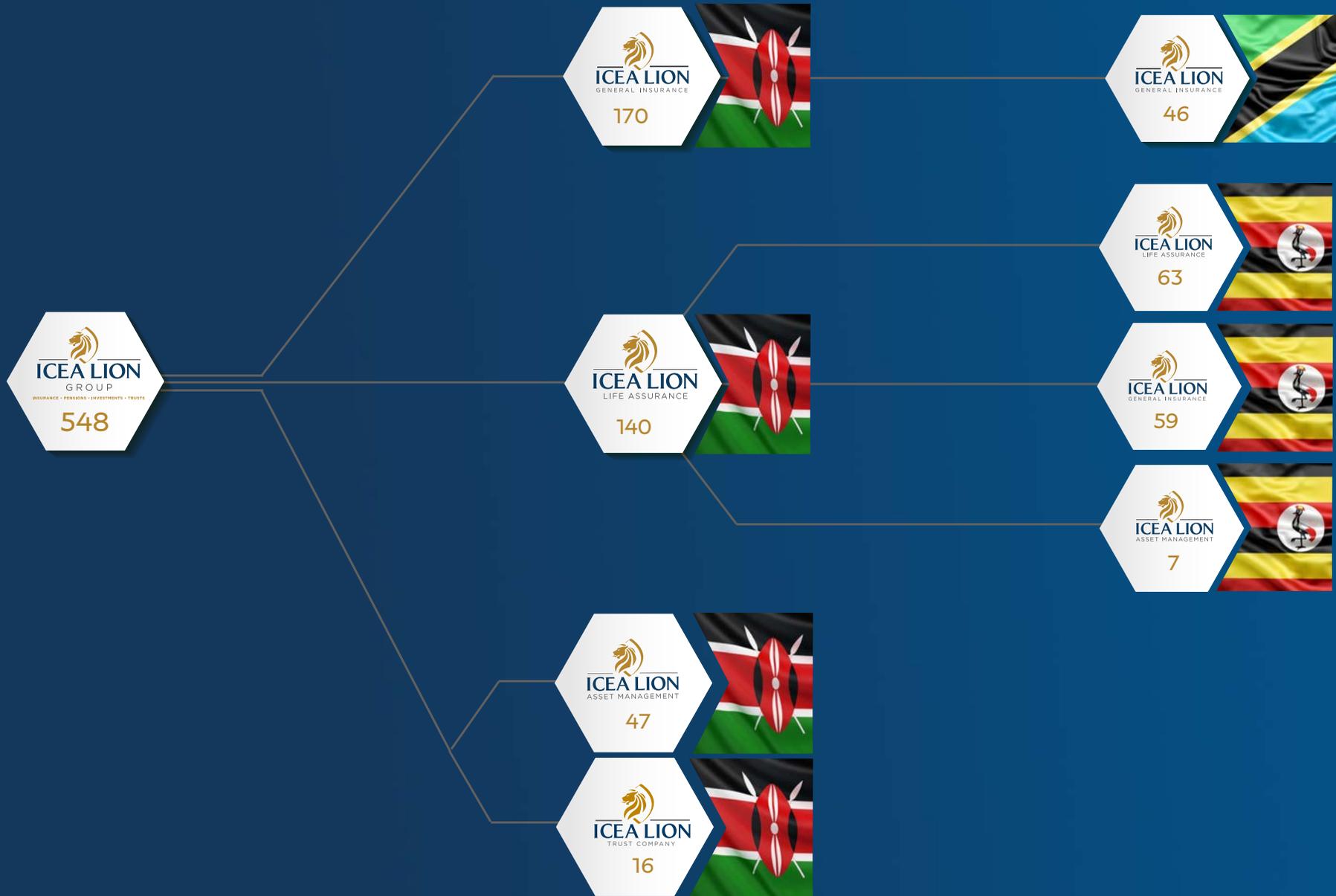
The insurance and investment subsidiaries in Uganda and Tanzania, previously controlled separately by Insurance Company of East Africa (ICEA) and Lion of Kenya (LOK) respectively, also form part of ICEA LION Group.

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

The ICEA LION Team at a previous Family Fun Day spell out our name.



# Our ICEA LION Group Staff Complement Across East Africa



# What Drives Us

## OUR MISSION

To Protect & Create Wealth

## OUR VISION

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

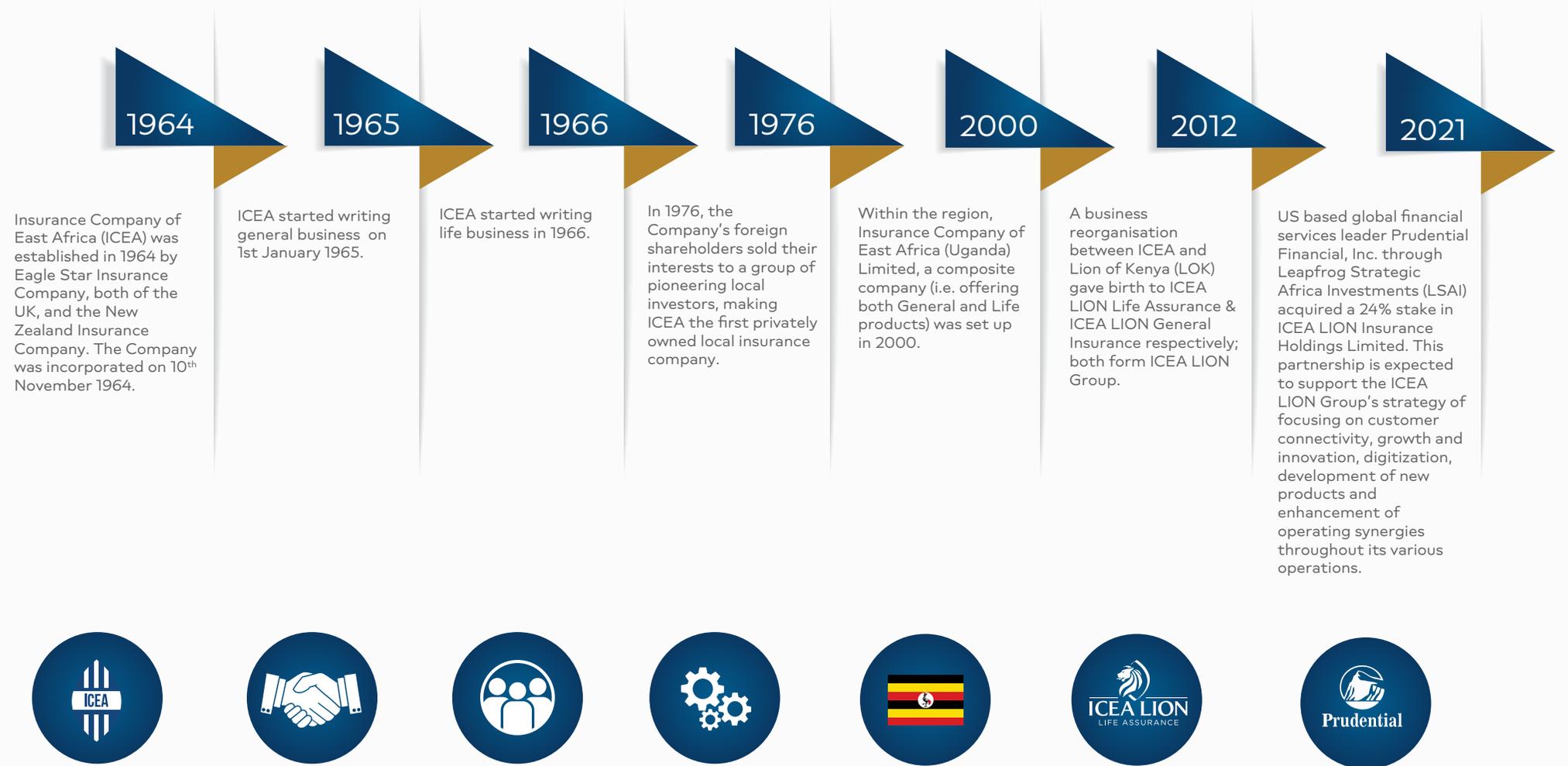
## OUR CORE VALUES

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

## OUR BRAND PROMISE

Through every life-changing moment We're Better Together

# OUR HISTORY



# OUR REGIONAL FOOTPRINT

## KENYA

### HEAD OFFICE

ICEA LION CENTRE  
RIVERSIDE PARK - CHIROMO ROAD  
WESTLANDS  
PO BOX 46143 - 00100 NAIROBI  
TEL: +254 (0) 20 2750000  
MOBILE: +254 719 071000 | 730 151000  
CONTACT CENTRE: 0719 071999  
EMAIL: INFO@ICEALION.COM

### KENYATTA AVENUE BRANCH

GROUND & 15<sup>TH</sup> FLOORS  
JKUAT TOWERS  
P.O. BOX 46143 - 00100  
NAIROBI  
TEL: +254 (0) 20 27501302  
MOBILE: +254 719 071302

### UNIVERSITY WAY BRANCH

GROUND & 9<sup>TH</sup> FLOORS  
AMBANK HOUSE  
P.O. BOX 46143 - 00100  
NAIROBI  
TEL: +254 (0) 20 2751814  
MOBILE: +254 719 071814

### WESTLANDS BRANCH

3<sup>RD</sup> FLOOR  
UNGA HOUSE - MUTHITHI ROAD  
P.O. BOX 46143 - 00100  
NAIROBI  
TEL: +254 (0) 20 2751880  
MOBILE: +254 719 071880

### KAREN BRANCH

1<sup>ST</sup> FLOOR  
KAREN OFFICE PARK  
LANGATA ROAD  
P.O. BOX 46143 - 00100  
NAIROBI  
TEL: +254 (0) 20 2751780  
MOBILE: +254 719 071780

### TULIP BRANCH

1<sup>ST</sup> FLOOR  
TULIP HOUSE  
MOMBASA ROAD  
P.O. BOX 46143 - 00100  
NAIROBI  
MOBILE: +254 787 808880

### UPPER HILL BRANCH

1<sup>ST</sup> FLOOR  
WILLIAMSON HOUSE  
P.O. BOX 46143 - 00100  
NAIROBI  
TEL: +254 (0) 20 2751771  
MOBILE: +254 719 071771

### MOMBASA ROAD BRANCH

1<sup>ST</sup> FLOOR  
TULIP HOUSE  
P.O. BOX 46143 - 00100  
NAIROBI  
TEL: +254 (0) 20 2751850  
MOBILE: +254 719 071850

### KISUMU BRANCH

AL IMRAN PLAZA  
OGINGA ODINGA STREET  
P.O. BOX 3122 - 40100  
KISUMU  
MOBILE: +254 719 071512

### ELDORET BRANCH

SAKONG HOUSE  
KENYATTA STREET  
P.O. BOX 4807 - 00100  
ELDORET  
MOBILE: +254 719 071551

### NAKURU BRANCH

1<sup>ST</sup> FLOOR  
SEGUTON BUILDING  
KENYATTA AVENUE  
P.O. BOX 3066 - 20100  
NAKURU  
MOBILE: +254 719 071600

### NYERI BRANCH

KONAHAUTHI BUILDING  
KIMATHI WAY  
P.O. BOX 1803 - 10100  
NYERI  
MOBILE: +254 719 071651

### THIKA BRANCH

4<sup>TH</sup> FLOOR  
ZURI CENTRE  
KENYATTA HIGHWAY  
P.O. BOX 30190 - 00100  
NAIROBI, KENYA  
MOBILE: +254 719 071824

### MERU BRANCH

1<sup>ST</sup> FLOOR  
ROYAL BUSINESS PARK  
TOM MBOYA STREET  
P.O. BOX 1386 - 60200  
MOBILE: +254 719 071905

### MOMBASA TOWN BRANCH

2<sup>ND</sup> FLOOR  
STANDARD CHARTERED  
BUILDING  
P.O. BOX 90101 - 80100  
MOMBASA  
MOBILE: +254 719 071701

### MOMBASA NYALI BRANCH

2<sup>ND</sup> FLOOR  
NYALI CENTRE - SOUTH WING  
LINKS ROAD  
P.O. BOX 90101 - 80100  
MOMBASA  
MOBILE: +254 719 071890

## UGANDA

### HEAD OFFICE

RWENZORI COURTS BUILDING,  
GROUND, 1<sup>ST</sup> & 2<sup>ND</sup> FLOORS  
PLOT 2 & 4A NAKASERO ROAD  
P. O. BOX 33953, KAMPALA  
TEL: +256 414 232337 / 341 495  
TOLL FREE: 0800 100 120 / 311  
EMAIL: INFO@ICEA.CO.UG  
WEBSITE: WWW.ICEA.CO.UG

### JINJA ROAD BRANCH

3<sup>RD</sup> FLOOR  
PRIME PLAZA,  
TEL: +256 41 7706710

### BUGANDA ROAD BRANCH

1<sup>ST</sup> FLOOR  
ARROW CENTER,  
TEL: +256 417 706711

### LUMUMBA AVENUE BRANCH

3<sup>RD</sup> FLOOR  
RUMEE BUILDING,  
TEL: +256 414 236927

### KAMPALA ROAD BRANCH

GROUND FLOOR  
ZEBRA PLAZA  
TEL: +256 392 000115

### ARUA BRANCH

KKT PLAZA, BLOCK A,  
DUKA ROAD  
TEL: +256 392 001095

### LIRA BRANCH

GROUND FLOOR  
UNIVERSAL INTERLINK BUILDING,  
OLWOL ROAD  
TEL: +256 393 225828

### GULU BRANCH

1<sup>ST</sup> FLOOR,  
HOUSING FINANCE BUILDING  
ACHOLI ROAD  
TEL: +256 392 001094

### MBALE BRANCH

1<sup>ST</sup> FLOOR  
SAIMA COMPLEX,  
MARKET STREET/CATHEDRAL AVENUE  
TEL: +256 392 178402

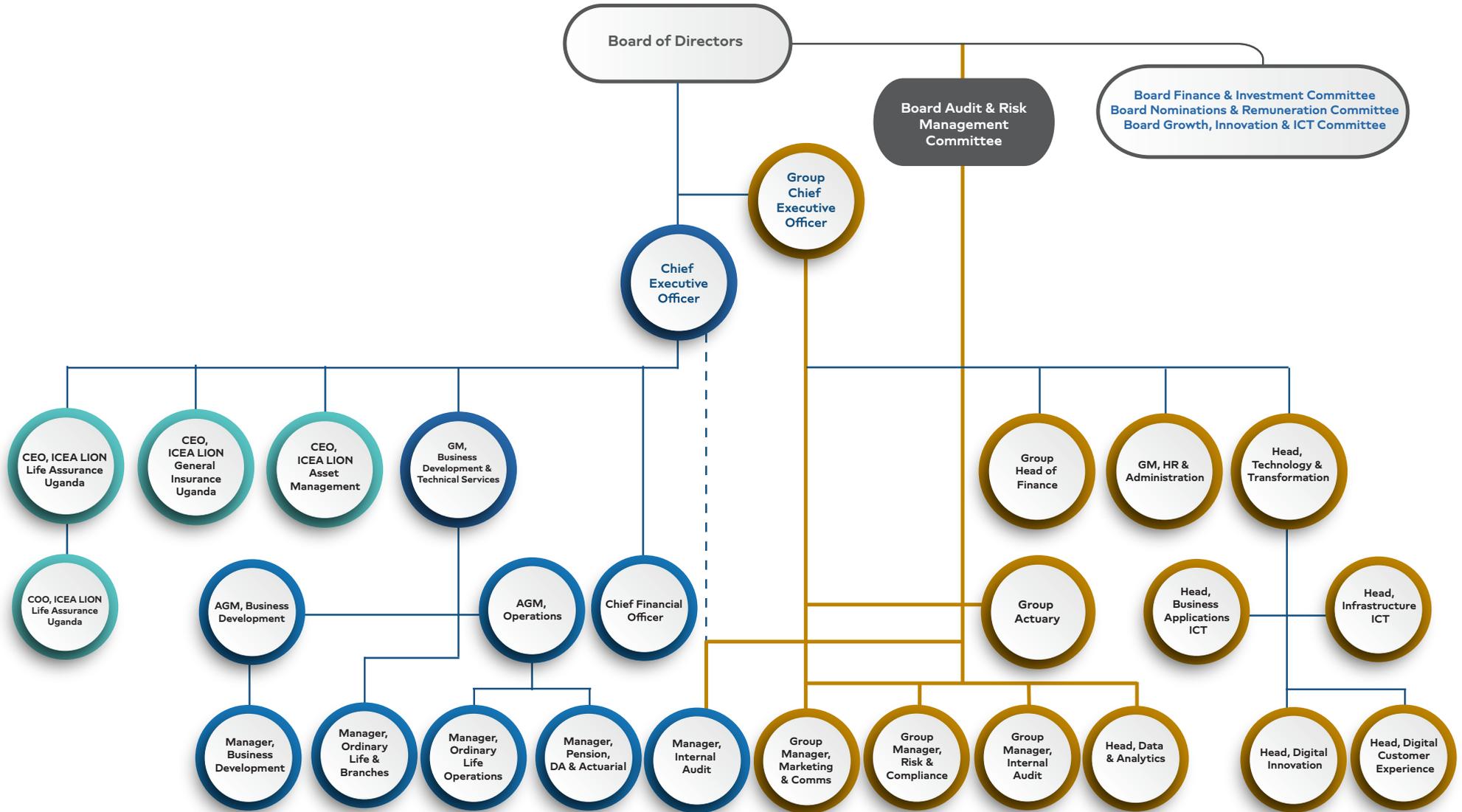
### KABALE BRANCH

2<sup>ND</sup> FLOOR  
NSSF BUILDING,  
TEL: +256 393 239200

### MBARARA BRANCH

1<sup>ST</sup> FLOOR  
THE HIGH STREET PLACE,  
HIGH STREET  
TEL: +256 417 706712/ +256 392 280501

# OUR LEADERSHIP STRUCTURE



# HOW WE CREATE VALUE

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



## Financial Capital

- Value added to the economy of KES 72.98 Billion
- Net Assets of Kshs. 18 Billion
- 5 year Group Taxes paid of Kshs 2.9 Billion
- Local procurement constitutes 99% of total procurement
- Market share of 16%



## Social & Relationship Capital

- Co-developed the Nairobi Declaration on Sustainable Insurance
- Hosted 4th PSI Market event in April 2021
- Treating Customers Fairly (TCF) compliance standards resulting in a Net Promoter Score (NPS) - 38.5 in 2021 from 34.5 in 2020
- Customer Satisfaction Index (CSI) score of 76.3% in 2021 up from 72.3% in 2020
- Complaints per 1000 policies - less than X%
- Contribution to the COVID 19 kitty
- Support for staff and clients on health and wellbeing during COVID 19
- Corporate Social Investment & Responsibility worth XX between 2013 & 2021
- Grew our social media following : Facebook over 60,000 | Twitter over 8,700 | LinkedIn over 19,100 | Instagram over 5,100 | YouTube over 1,410
- Treating Customers Fairly (TCF) compliance standards resulting in a Net Promoter Score (NPS) - 80%
- Customer Satisfaction Index (CSI) – 81% (compared to industry CSI index of 76%)



## Natural Capital

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



## Manufactured Capital

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



## Intellectual Capital

- Deployed our revamped website that includes e-commerce capabilities
- Upgraded our self-service portal to include e-commerce capabilities
- Introduced our Medical Second Opinion (MSO) product to our Group Clients & Staff



## Human Capital

- Proportion of women staff members working at 53% up from 52% in 2020
- Percentage of women in senior management at 67%
- Direct jobs sustained in entire economy - 321
- Number of staff between 20s & 30s – 20%
- Number of staff in wellbeing programs - 321
- Learning costs per employee Kshs. 18,164
- Number of trained coaches - 20



**JOSEPH WANGAI**  
CHAIRMAN, ICEA LION LIFE ASSURANCE



## CHAIRMAN'S STATEMENT

Dear Stakeholders,

I am indeed delighted and honored to pen this inaugural statement as the new Chairman of ICEA LION Life Assurance Company Limited having taken over from Mr. James Ndegwa who led the Company's Board as Chairman over the past 18 years. James will continue serving as a director of ICEA LION Life Assurance Company Limited in addition to serving as the first Chairman of our holding company, ICEA LION Insurance Holdings Ltd.

The effects of COVID-19 continued to define the operating environment for business during 2021. However, during the year, we saw some easing of the pandemic restrictions and this triggered resumption of various economic activities that had been decimated during the prolonged lockdown in 2020. The end result was significantly improved economic growth in 2021 compared to 2020. As a Company, we continue to make the necessary changes and adjustments to our strategy and processes to enable us to effectively respond and adapt to the fast changing operating environment.

Accordingly, technology is now at the forefront of how we serve our customers and engage with other stakeholders. In this regard, we have made significant investment in growing our digital capabilities. The strong impetus on continuous investment in technology is indeed the inevitable path to follow in a business world characterized by fast changing consumer tastes and preferences as well as the emergence of technology driven solutions in all aspects of our lives.

Aside from technology, we have made substantial investments in talent development and business process reengineering (BPR) as part of our repurposed strategy. These initiatives and outlays are necessary ingredients in enabling the Company adapt to changes in the operating environment and fare better in exploiting emerging opportunities in the marketplace.

***“ I am indeed delighted & honored to pen this inaugural statement as the new Chairman. I take over from James Ndegwa who has led the Board over the past 18 years. As stated elsewhere in this report, James will continue serving the Board as a director and is now the first Chairman of ICEA LION Insurance Holdings Ltd. ”***

## PERFORMANCE

The Company registered a strong performance on both topline growth and profitability in 2021. Gross premiums and contributions for the year stood at Kshs 20 Billion, registering a growth of 35% compared to 2020, while the Profit Before Tax for the year was Kshs 3.4 Billion, reflecting a growth of 127% compared to 2020. The Company's total assets as at 31 December 2021 crossed the USD 1 billion dollars (Kshs 120 Billion) mark making ICEA LION Life Assurance Company the first insurance company in Eastern and Central Africa to achieve this milestone.

The performance of our Uganda subsidiaries proved resilient despite the fact that Uganda experienced a more severe and prolonged lockdown among other stringent COVID-19 containment measures during 2021. Both the General and Life businesses recorded commendable growth and profitability.

Details of our performance and key economic metrics that prevailed during the year are set out in the Chief Financial Officer's Review on pages 23 - 31 and in the Operating Context on pages 33 - 34.

## STRATEGY

Due to significant changes in the operating environment over the past 2 years, largely caused by the Coronavirus pandemic, we refined our business strategy to ensure that we remain on the path of sustainable growth and profitability. To this end, a new strategic plan that features four focus areas was designed and launched in the course of the year. The five focus areas are:



## SUBSIDIARY REALIGNMENTS

Following the formation of the Holding company in 2020, the ICEA LION Group embarked on strategic structural realignments of subsidiary companies. The strategic thrust of these changes is to ensure that similar business verticals are clustered together for better management and sharper focus for realization of Group synergies.

In this regard, during the year 2021, ICEA LION Asset Management Limited and ICEA LION Trust Services Company Limited were transferred to ICEA LION Insurance Holdings Limited. With this realignment, these two companies ceased being subsidiaries of ICEA LION Life Assurance Company Limited.

## BOARD CHANGES AND TRANSITIONS

A number of changes in our Board composition were effected during the year. After 18 years of distinguished service as the board Chairman, James Ndegwa retired from the role. However, James will continue to serve as a director of the Company.

I would like to express our appreciation to James for his dedicated service as Chairman of the Board during a period when the Company achieved significant milestones. Some of the key milestones achieved during this period include ICEA LION Life Assurance Company Limited securing the position of the largest guaranteed fund manager in Kenya, and the insurance company with the largest balance sheet in Eastern and Central Africa as at 31 December 2021.

The ICEA LION Group will continue to benefit from many years of good leadership by James and his resounding experience as he moves on to take up the role of Chairman, ICEA LION Insurance Holdings Limited.

Dr. Peter Kamau retired as Director of ICEA LION Life Assurance Limited and the Chairman of the Board Audit and Risk Committee in the year 2021. He served on the ICEA LION Life Assurance Board for 32 years. Dr. Kamau continues to serve on the ICEA LION Insurance Holdings Board as a non-executive director.

Once again, I would like to express our appreciation to Dr Kamau for his dedicated service as a director of the Company and for his contribution towards achievement of great milestones recorded by the Company during his tenure on the Board.

## GOING FORWARD

From a regulatory standpoint, the IRA is spearheading amendments to the Insurance Act for more responsiveness to stakeholder needs. The aim of these changes is to increase the level of insurance penetration in Kenya which currently stands at a low of 2.17% of GDP.

We expect Industry consolidation and realignment to continue as new players enter the market and in response to enhanced capital requirements under Risk Based Capital (RBC) regime.



New well capitalized players and insurtechs are expected to join the industry in the coming days. This phenomenon coupled with enhanced regulatory requirements will lead to increased innovation around products and processes, improved insurance penetration and better customer experience in the insurance industry.

We will continue giving top attention to ICEA LION's approach of offering the highest quality of service to customers , full attention to regulatory compliance as well as best practice in governance and ethics in our dealings with all stakeholders. As always, championing professionalism and integrity remain core values of the Company and our people. We have made long term commitments and promises to our customers to ensure that we sustainably meet our promises, and the foregoing are key ingredients of our purpose as a business. Our Company fundamentals remain strong and we are confident that our business models will continue to deliver sustainable value to all our stakeholders in the days to come. All this will be achieved by our top talent who continue to diligently serve our customers with an unwavering commitment to always focus on the interests of all our stakeholders.

## APPRECIATION

I would like to thank my fellow directors for their guidance, support and invaluable contribution in the Board. To our management team, thank you for yet another good year and for your dedication to the business. To our customers, thank you for your patronage and loyalty over the years ; I celebrate you for entrusting us with some of the most important aspects of your lives - taking care of various facets of your financial requirements and those of your loved ones and for trusting us to take care of your wealth and retirement needs.

  
JOSEPH WANGAI | CHAIRMAN

## OUR BOARD OF DIRECTORS



Visit [www.ICEALION.com](http://www.ICEALION.com) to review their individual profiles

### FIRST ROW

Joseph Wangai, **Chairman** | James Ndegwa, **Director** | Mariam Abdullahi, **Director** | Mugwe Manga, **Director** | Kairo Thuo, **Director**  
Robin Ndegwa, **Alternate Director** | Doug Lacey, **Director**

### SECOND ROW

Andrew Ndegwa, **Director** | Patrick Mugambi, **Alternate Director** | David Hutchison, **Director** | Dr. Caesar Mwangi, **Director**  
Norm Kelly, **Director** | Kennedy Ontiti, **Company Secretary** | George Nyakundi **Chief Executive Officer**



**DR. CAESAR MWANGI**  
CEO, ICEA LION INSURANCE HOLDINGS

## CHIEF EXECUTIVE OFFICER'S STATEMENT ICEA LION INSURANCE HOLDINGS

I would like to start with some significant developments in relation to our people. In 2021, we welcomed a new CEO for our General Business, Mr Philip Lopokoiyit, following the departure of our previous CEO, Mr Paul Muthaura. Paul served us diligently especially during the uncertainties of the COVID 19 pandemic and I sincerely thank him for the great effort he made to ensure the business remained resilient in the face of a totally unexpected disruption that had no previous blueprint to benchmark against.

During 2021, we realized that much to our chagrin, the pandemic persisted and remained with us. We thus continued implementing our two key focus areas by ensuring that firstly, our staff remained safe through adherence to MoH COVID 19 safety measures we had put in place in 2020 and secondly by ensuring our teams were able to continue working remotely whilst providing seamless service to our numerous clients.

During the year, in line with our vision to be the leading Pan-African Insurance and Finance Group, we implemented key strategic initiatives. We made a decision to review the relevance of our existing five-year strategy for the period 2018 to 2022 and decided to develop a new three-year strategy for the period 2022 to 2024. This initiative was based on the continuous fluidity in the operating environment as well as the need to effectively position ourselves for the disrupted and uncertain business environment we faced.

A key pillar of our strategy going forward was to develop an agile culture that would enable us to effectively respond to the emerging opportunities and risks in the environment. I am pleased to note that this strategy did inject fresh thinking into our Group and our people were fully immersed in its development. We remain fully committed to its execution in the years to come.

**“ It is indeed a great pleasure for me to reflect on the adventure of 2021 and share my views in this Integrated Report. ”**

From a business results point of view, I am pleased to mention that our Business in Kenya and subsidiaries in Uganda and Tanzania remained resilient in the face of the pandemic and the results posted confirm this resilience.

As a Group, we continued to champion the sustainable insurance agenda in the continent through our commitment to the UNEP Finance Initiative Principles of Sustainable Insurance (PSI). In this regard, in April 2021, we hosted delegates from Africa and the rest of the world in the first ever PSI market event in East and Central Africa. During this historic meeting, in conjunction with the UNEP-FI, we co-developed a statement of commitment to sustainable insurance linked to the United Nations Sustainable Development Goals (SDG). The commitment was dubbed **"The Nairobi Declaration on Sustainable Insurance"** which aims to promote collaboration among all like minded stakeholders to promote the goal of sustainable and inclusive development through our business practises. We currently have 15 signatories to this declaration and we expect this number to increase in 2022. We also forged a very strong partnership with FSD Africa to progress this initiative in Africa.



#### THE NAIROBI DECLARATION ON SUSTAINABLE INSURANCE

Other initiatives we also participated in include; COP 26 in Glasgow where we contributed as panellists on Africa Day at a High Level Event convened by the Vulnerable Group of Twenty (V20) Ministers of Finance, the UNEP FI , the Munich Climate Insurance Initiative (MCII), the G20+ and V20-led InsuResilience Global Partnership. The panel was "We Are All At Risk: Collaborative Efforts to Invest in Resilience and Close the Financial Protection Gap." We also participated in the AFSIC Invest in Africa UK conference where we shared our perspectives on Green Finance in Africa.

To read more about the Nairobi Declaration on Sustainable Insurance please visit this website:

[www.sustainableinsurancedeclaration.org](http://www.sustainableinsurancedeclaration.org)

I was also invited to join the UNEP FI Leadership Council alongside various global leaders, to provide Africa based perspectives on the issues of sustainable business practises in light of the growing threats the world is facing such as the climate crisis, biodiversity loss, pollution and waste as well as growing inequality. ICEA LION Group's representation at this high level forum remains a unique testament to our commitment to long term sustainable business practices.

As we continue to serve our customers, we remain committed to the ideals of relevant customer-led solutions for the unique needs in the market and the continuous collaboration with all stakeholders to increase insurance penetration, education and trust in the markets we serve.

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



DR. CAESAR MWANGI | CHIEF EXECUTIVE OFFICER





**GEORGE NYAKUNDI**  
CEO, ICEA LION LIFE ASSURANCE



## CHIEF EXECUTIVE OFFICER'S STATEMENT

### ICEA LION LIFE ASSURANCE

The extraordinary years of 2020 and 2021 will always be remembered for the novel COVID-19 pandemic which irreversibly transformed the way in which we live and do business. The pandemic eliminated the digital divide and accelerated digital transformation and usage in our fast changing insurance landscape. As a Company and with a strong element of foresight, we rose to the challenge during the COVID-19 outbreak by taking immediate action to protect our teams and customers. We deployed our digital assets which demonstrated our resilience, the ability to respond efficiently during a crisis and preparedness from years of adept business continuity and crisis management planning. We continue to observe the macroeconomics in our market, with a positive outlook in light of the vaccine rollout by the government.

#### **BUSINESS PROCESS REENGINEERING (BPR)**

In order to improve the quality of our customer experience, reduce operational costs and create a fit for purpose Company, we needed to reassess our processes and redesign them to fit the goals of our business. This is being done through a business process reengineering (BPR) initiative which commenced during the year. Quick wins under the BPR have resulted in great improvements in our operational efficiency. As we implement the outcomes of BPR, we will seek to embed lean and agile processes in our operations to minimize customer friction and maximize our operational efficiency and the ability to innovate. Full implementation of BPR will be done in 2022 and the outcomes will be measured by simplified and streamlined operations, increased efficiency, clarity of purpose, better results and products thus maximizing our return on investment.

***It gives me great pleasure to share the Company's results for 2021. Our Group performed well in a challenging environment, achieving strong financial results.***

## DATA PROTECTION

Data is at the core of what we do. We recognize that it is our duty to protect corporate and personal information in all our operations. In light of the new Data Protection Act, 2019, we have put in place mechanisms for ensuring full compliance with this Act. We have in place a Data Protection Policy, reviewed and approved by the Board that sets out our commitment to the security, information risk management, confidentiality and quality of information. We have made the requisite disclosures on Data Privacy to our clients through our website, appointed a Data Protection Officer and are in the process of realigning our business and client engagement processes to fully comply with the requirements of the Act.

## LEADERSHIP

There was a change in our executive management team during the year. Following my appointment as CEO of the Company at the beginning of the year, we sought to find a suitable replacement for the position that I previously held, that of General Manager Business Development and Technical Services. The position was filled by Mr. Asman Mugambi who joined the Company in June 2021. We welcome and congratulate Asman on his appointment.



## LOOKING AHEAD

In order to remain relevant and profitable in an extremely competitive business environment that we operate in, we have crafted a three year business strategy commencing 2022 through 2024 focusing on profitable growth, operational efficiency, revamping our distribution models and customer obsession.

As our customers become more technologically savvy, we will up our ante to provide unparalleled customer experience. In this endeavor, we will continue with our efforts to provide our employees a complete digital ecosystem that will assist them to deliver the best experience to our customers.

We will focus on meeting the needs of our customers by revamping our current product offering but also by designing and introducing new innovative products that will provide solutions to our customer needs. The main thrust will be on our retail insurance products whose potential is largely untapped in view of the penetration rate for life insurance business which is less than 1% of the GDP.

We will continue to focus on the three main levers of our profitability i.e. carefully selecting our risks, prudent management of our expenses and optimizing on our investments.

## APPRECIATION

I am proud of every member of the team that I lead at ICEA LION Life Assurance. I would like to acknowledge all their efforts in delivering sustainable value to our customers, shareholders and all our stakeholders.

I profoundly thank our Board of Directors for their continued guidance and faith in our strength and capabilities. To our customers, thank you for your valuable support and trust.

Finally, a note of appreciation to our regulators for their continued support and guidance.

GEORGE NYAKUNDI | CHIEF EXECUTIVE OFFICER

## OUR LEADERSHIP TEAM



## OUR SUBSIDIARIES TEAM

## OUR SHARED SERVICES TEAM



## OUR SHARED SERVICES TEAM



### ROW 1

George Nyakundi, Chief Executive Officer  
 Asman Mugambi, GM - Business Development and Technical Services  
 Kevin Nyakeri, CFA - Chief Financial Officer  
 Gladys Musembi, Assistant General Manager - Operations  
 Christine Mutahi, Assistant General Manager - Business Development  
 Kennedy Odenyo, Manager - Group Business Development

### ROW 2

Kenneth Muchiri, Manager - Group Business Development  
 Patricia Kihara, Manager - Ordinary Life and Branches  
 Felix Chomba, Manager - Pension and Actuarial  
 Muiri Waichinga, Manager - Ordinary Life Operations  
 Enid Otieno, Manager - Internal Audit

### ROW 3

Gabriel Kuria, CEO - ICEA LION General Insurance Company (Uganda) Ltd.  
 Emmanuel Mwaka, CEO - ICEA LION Life Assurance Company (Uganda) Ltd.  
 Anne Njugi, COO - ICEA LION Life Assurance Company (Uganda) Ltd.  
 Dr. Caesar Mwangi - CEO, ICEA LION Insurance Holdings  
 Naomi Munyi, GM - Group Head of Finance  
 Juliana Nguli, GM - Human Resources & Administration

### ROW 4

Anthony Muturi, Group Actuary  
 Nkatha Gitonga, Group Manager - Marketing and Communications  
 Dorothy Maseke, Group Manager - Risk and Compliance  
 Kevin Kombo, Group Head of Internal Audit  
 Martin Kariithi, Head - Data and Analytics

### ROW 5

Paul Kioi, GM Technology and Transformation  
 Caroline Maina, Group Head - ICT Business Applications  
 David Too, Group Head - ICT Infrastructure  
 John Wanjogu, Group Head - Digital Customer Experience  
 Dr. Abiud Mulongo, Group Head - Digital

Visit [www.ICEALION.com](http://www.ICEALION.com) to view their individual profiles

# CHIEF FINANCIAL OFFICER'S REVIEW

## ECONOMIC BACKGROUND

The year 2021 continued to be challenging in the wake of the COVID-19 pandemic. Nonetheless, as the pandemic containment restrictions were eased, most economic activities resumed and the general investor sentiment turned cautiously optimistic. New risks emerged such as the roiling global supply chain bottlenecks, an upsurge in inflation due to supply-demand mismatches, simmering geopolitical tensions in Europe and climate change related disruptions. Although the effects of COVID-19 lingered on, the Kenyan economy rebounded towards the end of the year following increased vaccination rates and the relaxation of COVID-19 restrictions.

## GROUP BUSINESS PERFORMANCE OVERVIEW

### REVENUE

Against the above economic backdrop, the Group delivered good performance in terms of business growth and profitability. Our Group premium and contributions grew by Kshs 5.6 Billion to Kshs 23 Billion.

Company revenue and contributions grew by 35% to close the year at Kshs 20 Billion. The corporate retirement business continued to deliver solid gains during the year. Single premium business lines made up of annuities and the income drawdown funds reported stellar growth as well. Our ordinary life business, which was hardest hit by the pandemic induced restrictions in the previous year, strongly rebounded during the year. Once again, as they always do, our star-studded agency force dubbed "The Network" delivered good results.

**As a leading insurer in Eastern and Central Africa with a 1.1 Billion US Dollar balance sheet (KES 120 Billion), our promises to clients are significant and transcend generations. This calls for a judiciously considered, long-term approach to business. In this regard, we remain committed to our sustainable business creed of taking on profitable business that safeguards the long-term interest of all stakeholders.**



**KEVIN NYAKERI, CFA**  
CHIEF FINANCIAL OFFICER



## INVESTMENT INCOME

Our Group investment income grew by 37% to KES 12.7 Billion from KES 9.3 Billion in 2020. This was largely driven by interest income from government securities. The great performance was underpinned by a general rise in interest rates coupled with higher sales volumes during the year. Listed stocks recorded gains of KES 1 Billion on the back of a recovery at the Nairobi Securities Exchange.

## CLAIMS OUTGO & EXPENSES

It is in paying claims that the mettle of our brand promise *“Through Every Life-Changing event, We’re Better Together”* is tested. During the year 2021, we paid over KES 14.6 Billion in claims and surrenders to our customers - policyholders and pensioners. This increase in claims outgo was in line with business growth as evidenced by the great revenue results. As always and in our customers’ hours of need and moments of truth, we delivered.

The Company operating expense ratio decreased to 5.8% from 7.39% in 2020. The low ratio was on account of high sales levels recorded during the year and deferred spending in key areas as the business reset its strategic orientation. Details on our strategy are set out on pages 38 and 39.

## PROFITABILITY

Group Profit Before Tax increased by 77% to KES 3.9 Billion from KES 2.2 Billion in 2020. This performance was on the back of strong sales growth, a low expense ratio and higher interest income from an increased asset base. Revaluation gains on listed equities, though tempered by revaluation losses on bonds occasioned by higher interest rates, was a net positive in this regard.

While higher interest rates lead to unrealized losses on bonds, they bring about two important tailwinds i.e. a lower actuarial liability value and increased interest income. Conversely, low interest rates are an anathema to life insurance companies as they deliver a double whammy of higher actuarial liabilities and low interest income. This phenomenon is currently front and center in the West, forcing life insurers to seek returns in higher yielding riskier asset classes. As a long-term insurer therefore, we continue to monitor the level of interest rates to inform the evolution of our business and investment strategy.

## BALANCE SHEET GROWTH

Our Group Total Assets grew by KES 17.1 Billion to close the year at KES 128 Billion representing a growth of 15.5%. The Company’s Asset Base crossed the KES 120 Billion mark from the record breaking 2020 KES 100 Billion mark. **At KES 120 Billion (USD 1.06), ICEA LION Life Assurance broke yet another record by becoming the first insurance company in Eastern and Central Africa with a billion-dollar balance sheet.** This is thanks to our clients who trust in us to both **protect and create** wealth for them.

## SHAREHOLDER MATTERS

Following increased profitability in 2021, our Company shareholder capital grew by KES 2 Billion to close the year at KES 15.4 Billion (2020 – 13.4 Billion). At 316% the Company Capital Adequacy Ratio (CAR) buffer continues to be well above the regulatory risk based CAR of 200%.

During the year, the Company paid a special dividend of KES 1.826 Billion shillings. A final dividend of KES 700 Million is proposed bringing total dividends for the year to KES 2.5 Billion.

## OUR SUBSIDIARIES PERFORMANCE

### ICEA LION LIFE ASSURANCE COMPANY (UGANDA) LIMITED

2021 gross premium and contributions for the Uganda Life business grew by 9% to UGX 63.7 Billion (2020 UGX 58.2 Billion), while assets grew by 24% to UGX 180 Billion (2020 UGX 145 Billion). The Life Fund’s strong performance enabled the Company to declare competitive rates of return to Deposit Administration schemes and bonus rates to “with Profits” ordinary life policies.

### ICEA LION GENERAL INSURANCE COMPANY (UGANDA) LIMITED

ICEA LION General business gross premium grew by 12% to close at UGX 29.5 Billion (2020 UGX 26.4 Billion), while the Net Earned Premium grew by 9% to UGX 12.5 Billion (2020 UGX 11.6 Billion).

### ICEA LION LIFE ASSET MANAGEMENT (UGANDA) LIMITED

The Uganda fund management business Assets Under Management were UGX 363 Billion as at 31 December 2021 (2020 UGX 245 Billion) while income for the year grew by 49% to close at UGX 1.8 Billion (2020 UGX 1.2 Billion).

## TOWARDS IFRS 17 IMPLEMENTATION & INDUSTRY MATTERS

The international accounting standard of the century, IFRS-17 is slated for implementation on 1<sup>st</sup> of January 2023. At ICEA LION we are on track towards the implementation of this broad new standard. As a Group we have made significant investments in people, systems and in engaging various stakeholders on IFRS-17 matters. IFRS-17 will have a more significant impact on life insurance companies as compared to general insurers. To this end, we are engaging as industry CFOs on key implementation and interpretational aspects of the standard. Among the key items identified is the applicability of the standard to deposit administration contracts generally. Engagement with both the Insurance Regulatory Authority and the Kenya Revenue Authority are also front and center agenda items within the CFO forum. We believe industry convergence on these important matters is essential to ensure a smooth rollout of IFRS-17.

## ESG AND SUSTAINABILITY

Beyond the COVID-19 pandemic, climate change has been identified globally as a significant risk facing economies and businesses. Accordingly, Environmental, Social and Governance (ESG) matters are gaining prominence in the commercial and investment world. Challenges abound in terms of uniformity of definition, reporting of ESG metrics and the prevalence of outright greenwashing.

On the reporting side, 2021 saw the formation of the International Sustainability Standards Board by the IFRS foundation. According to the IFRS Foundation this standards setting body is aimed at meeting the demand for "high quality, transparent, reliable and comparable reporting by companies on climate and other environmental, social and governance (ESG) matters". More details about this initiative can be found on <https://www.ifrs.org/groups/international-sustainability-standards-board/>. Though formative, we believe that credible internationalization of sustainability accounting will go a long way in promoting transparency and standardization of ESG reporting.

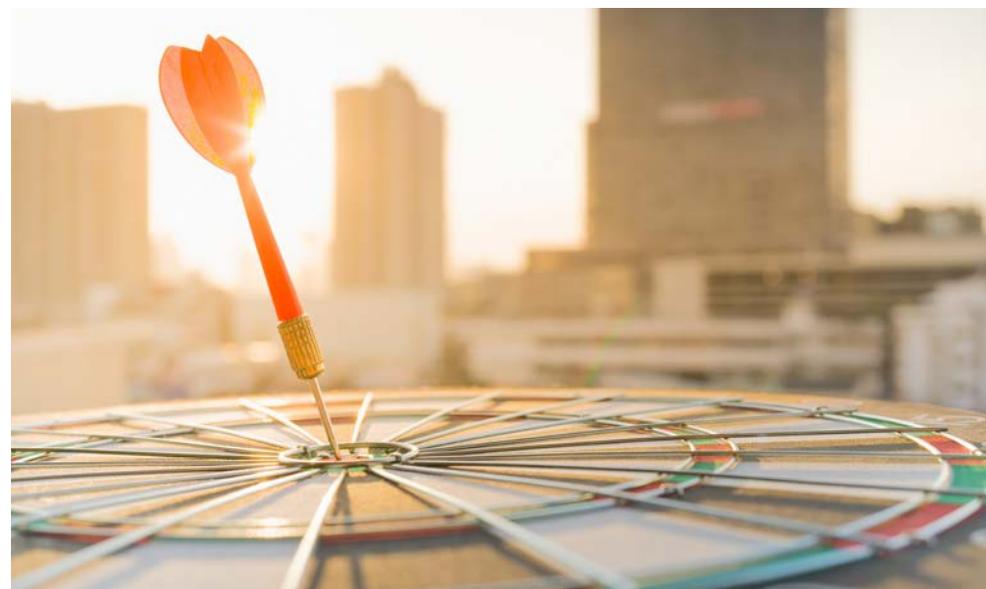
Despite these challenges, we should not lose sight of the big picture that business too has a role to play in combating climate change. As a Group and in support of this great human endeavor to bequeath future generations a better planet, we continue to play our part by doing sustainably profitable business. To this end, the words of Colin Mayer ring true that *"The purpose of business is to create profitable solutions to the problems of people and planet. It is not to profit by creating problems for people and planet"*. More about our efforts in this area is set out under the Natural Capital section on pages 87 and 88.

## LOOKING AHEAD

As emphasized over the years, the key sources of our competitive advantage include people with integrity and talent, a strong financial position, focused management of profit drivers and good corporate governance practices. This secret sauce, remains unchanged and serves as a key source of strength as we face the future. As the largest insurer in Eastern and Central Africa with a 1.1 Billion US Dollar balance sheet (KES 120 Billion), our promises to clients are significant and transcend generations. This calls for a judiciously considered, long-term approach to business. In this regard, we remain committed to our sustainable business creed of taking on profitable business that safeguards the long-term interest of all stakeholders. Our new strategy centered on offering a great experience to customers through a refreshed business model will play a key part in this ambition.



KEVIN NYAKERI, CFA | CHIEF FINANCIAL OFFICER



## FIVE YEAR REVIEW

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
	KES Million				
Total Income	21,153	15,767	16,932	12,878	16,029
Net Claims and Benefits Payable	(14,209)	(10,486)	(9,329)	(10,782)	(12,513)
Total Expenses	(3,092)	(3,204)	(3,181)	(2,674)	(2,467)
Share of Profit of Associate, net of tax	42	127	182	166	166
<b>Profit/(Loss) Before Tax</b>	<b>3,894</b>	<b>2,204</b>	<b>4,604</b>	<b>(412)</b>	<b>1,215</b>
Income Tax	(1,062)	(128)	(1,371)	268	(25)
<b>Profit/(Loss) After Tax</b>	<b>2,832</b>	<b>2,076</b>	<b>3,233</b>	<b>(144)</b>	<b>1,189</b>
Other Comprehensive Income	17	(26)	10	(102)	1
<b>Total Comprehensive Income</b>	<b>2,849</b>	<b>2,050</b>	<b>3,243</b>	<b>(246)</b>	<b>1,190</b>

### COMPANY STATEMENT OF COMPREHENSIVE INCOME

	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
	KES Million	KES Million	KES Million	KES Million	KES Million
Total Income	18,878	13,381	14,957	11,192	14,506
Net Claims and Benefits Payable	(13,223)	(9,807)	(8,692)	(10,101)	(12,085)
Total Expenses	(2,215)	(2,057)	(2,041)	(1,711)	(1,568)
<b>Profit/(Loss) Before Tax</b>	<b>3,440</b>	<b>1,517</b>	<b>4,225</b>	<b>(620)</b>	<b>853</b>
Income Tax	(935)	64	(1,263)	309	23
<b>Profit/(Loss) After Tax</b>	<b>2,505</b>	<b>1,582</b>	<b>2,962</b>	<b>(311)</b>	<b>875</b>
Other Comprehensive Income	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>2,505</b>	<b>1,582</b>	<b>2,962</b>	<b>(311)</b>	<b>875</b>

## FIVE YEAR REVIEW

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
	KES Million	KES Million	KES Million	KES Million	KES Million
<b>Assets</b>					
Investment property	9,963	10,610	10,773	10,534	10,276
Government securities	97,616	82,266	67,171	57,134	48,149
Deposits with financial institutions	4,230	3,896	6,665	4,421	5,176
Equities	9,528	7,766	8,166	6,833	6,162
Other assets	6,724	6,382	6,144	5,421	4,303
<b>Total Assets</b>	<b>128,061</b>	<b>110,920</b>	<b>98,919</b>	<b>84,343</b>	<b>74,066</b>
<b>Liabilities</b>					
Insurance contract liabilities	30,411	26,353	23,631	22,495	17,426
Payable under deposit administration	75,520	64,440	57,284	48,764	41,617
Deferred tax	2,565	1,964	2,098	1,136	1,617
Other liabilities	2,619	2,837	2,193	1,046	1,875
<b>Total Liabilities</b>	<b>111,115</b>	<b>95,594</b>	<b>85,206</b>	<b>73,441</b>	<b>62,535</b>
Total Equity	16,946	15,326	13,711	10,901	11,532
<b>Total Liabilities and Equity</b>	<b>128,061</b>	<b>110,920</b>	<b>98,918</b>	<b>84,343</b>	<b>74,067</b>

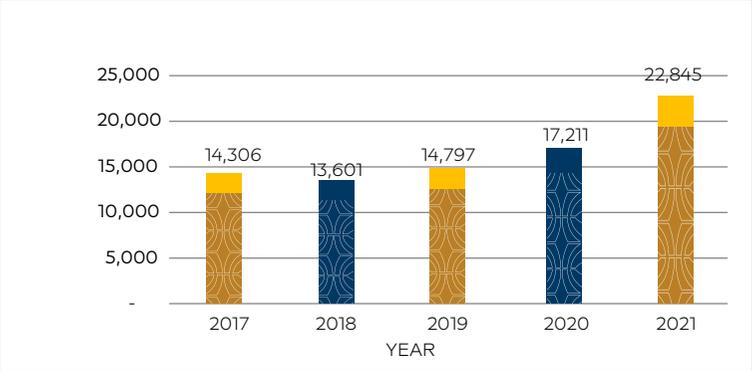
## FIVE YEAR REVIEW

### COMPANY STATEMENT OF FINANCIAL POSITION

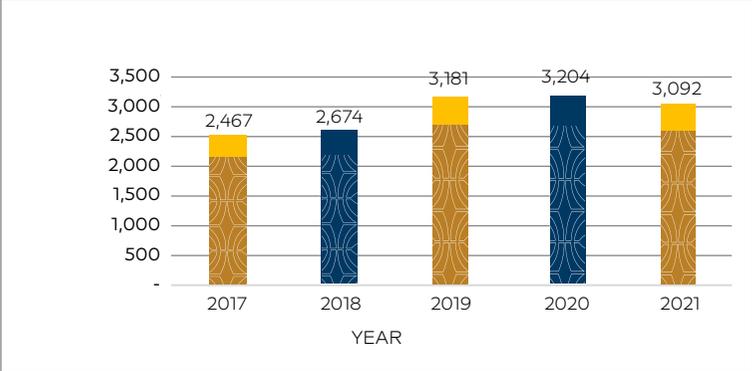
	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
	KES Million	KES Million	KES Million	KES Million	KES Million
<b>Assets</b>					
Investment property	9,963	10,610	10,773	10,534	10,276
Government securities	92,547	78,160	64,449	54,913	46,472
Deposits with financial institutions	3,461	2,961	5,856	3,652	4,529
Equities	9,346	7,665	8,074	6,738	6,162
Other assets	4,966	4,255	4,352	4,227	2,863
<b>Total Assets</b>	<b>120,283</b>	<b>103,651</b>	<b>93,504</b>	<b>80,064</b>	<b>70,302</b>
<b>Liabilities</b>					
Insurance contract liabilities	27,697	24,148	21,757	20,813	16,322
Payable under deposit administration	72,876	62,604	56,111	48,813	40,786
Deferred tax	2,565	1,955	2,098	1,136	1,617
Other liabilities	1,738	1,581	1,321	675	1,363
<b>Total Liabilities</b>	<b>104,876</b>	<b>90,288</b>	<b>81,287</b>	<b>70,437</b>	<b>60,088</b>
Total Equity	15,407	13,363	12,216	9,627	10,214
<b>Total Liabilities and Equity</b>	<b>120,283</b>	<b>103,651</b>	<b>93,503</b>	<b>80,064</b>	<b>70,302</b>

# GROUP AND COMPANY 5 YEAR FINANCIAL HIGHLIGHTS

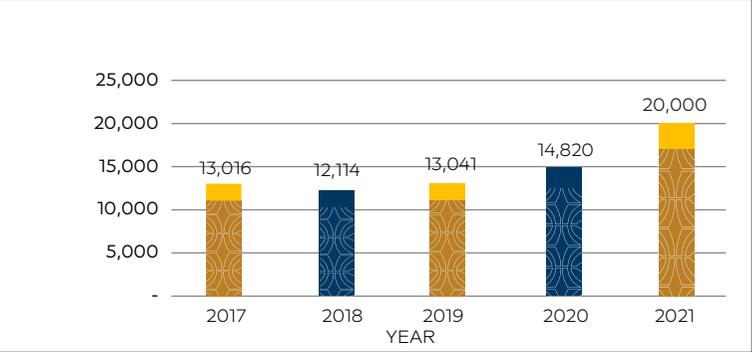
**Group GWP and Contributions**



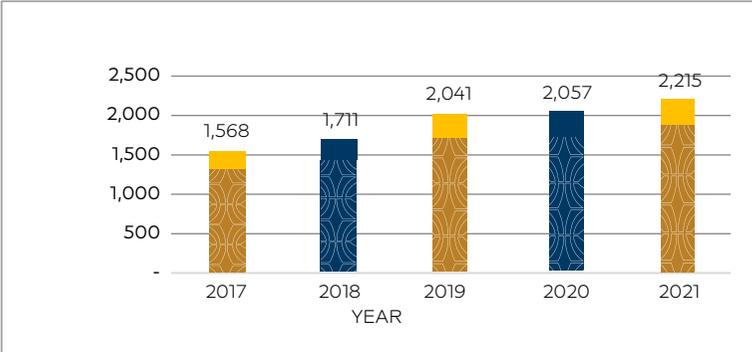
**Group Operating Expenses**



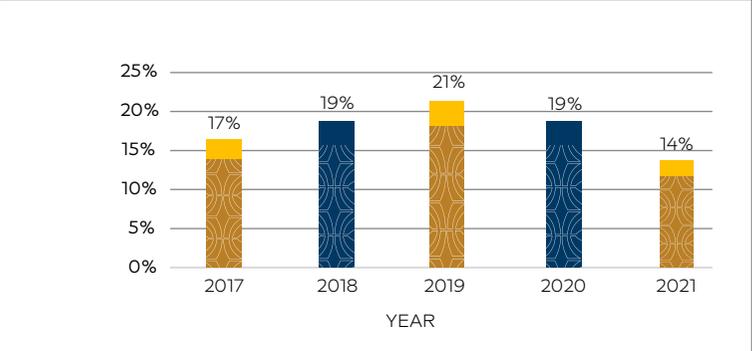
**Company GWP and Contributions**



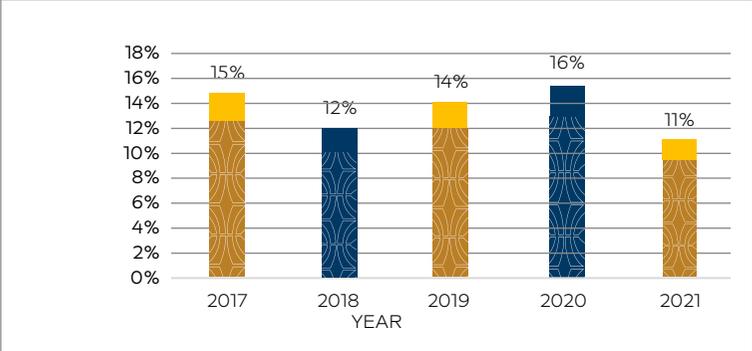
**Company Operating Expenses**



**Group Total Expenses Ratio**



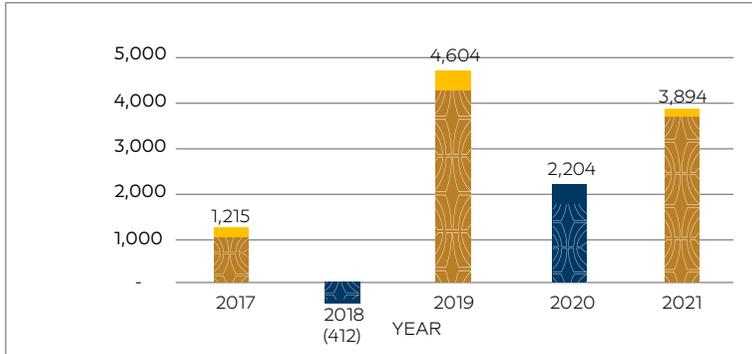
**Company Total Expenses Ratio**



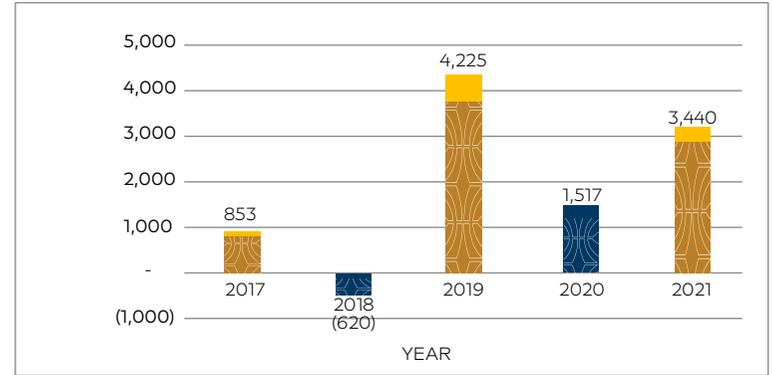
(Chart Figures in KES Millions)

# GROUP AND COMPANY 5 YEAR FINANCIAL HIGHLIGHTS

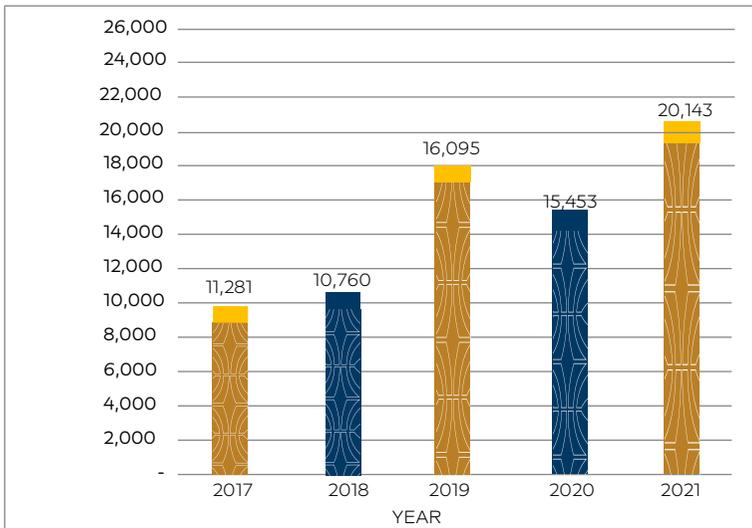
**Group Profit Before Tax**



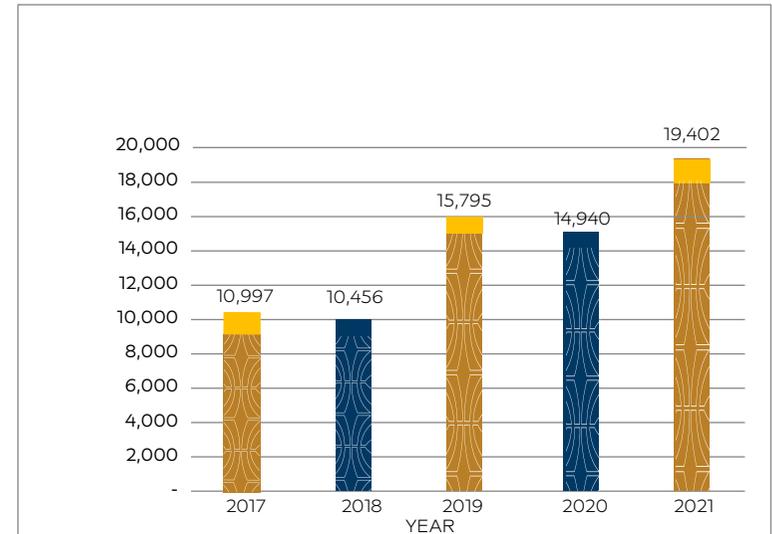
**Company Profit Before Tax**



**Group Actuarial Surplus**



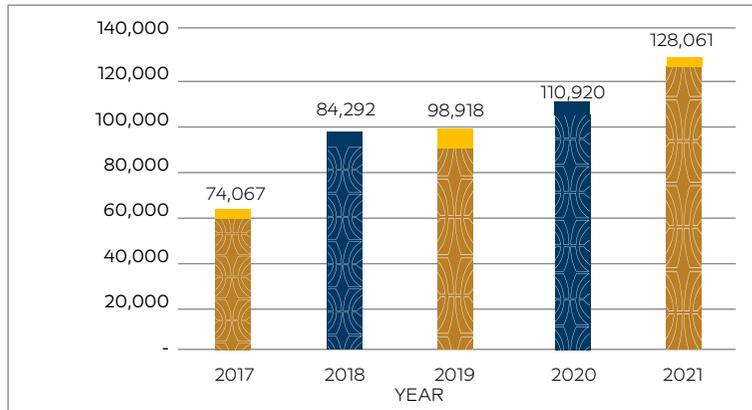
**Company Actuarial Surplus**



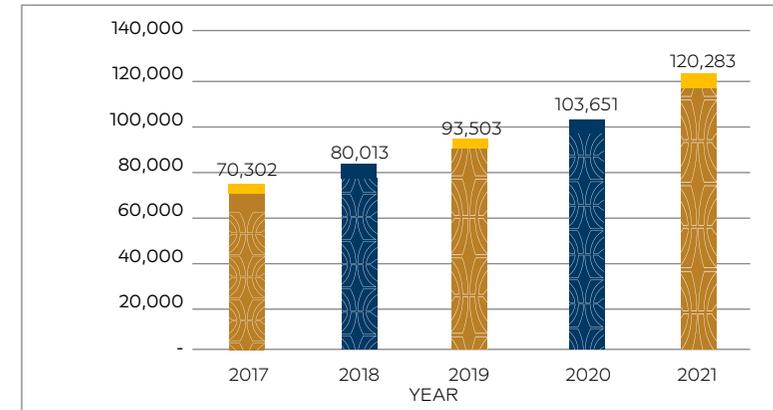
(Chart Figures in KES Millions)

# GROUP AND COMPANY 5 YEAR FINANCIAL HIGHLIGHTS

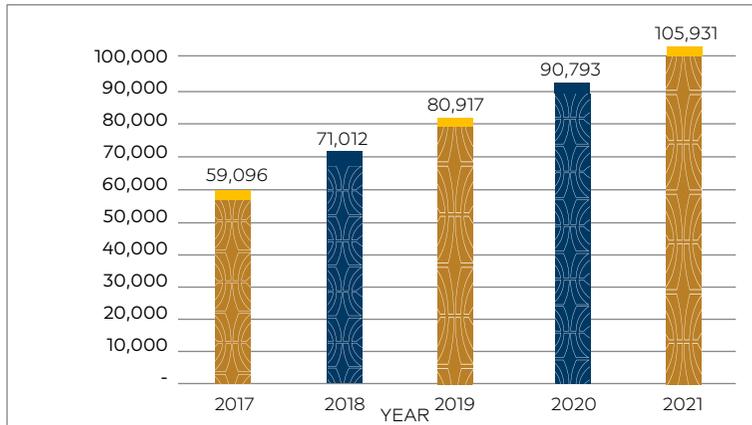
**Group Total Assets**



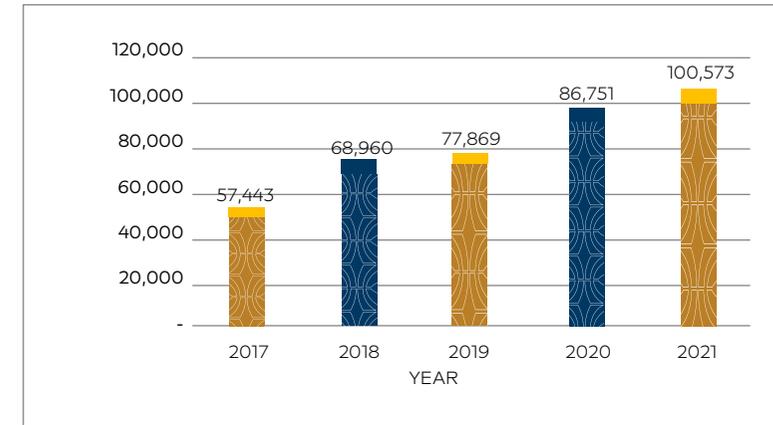
**Company Total Assets**



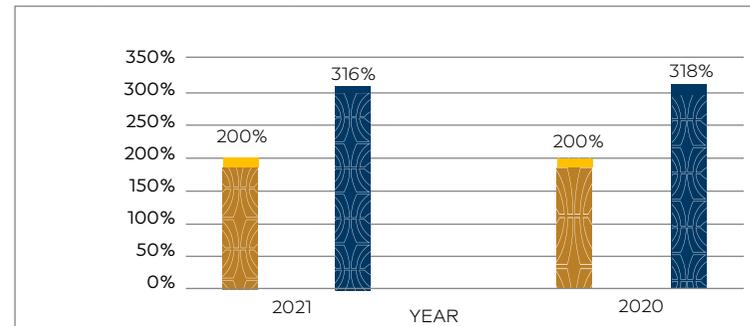
**Group Life Fund**



**Company Life Fund**



**Company Capital Adequacy**



(Chart Figures in KES Millions)



**ICEA LION**  
LIFE ASSURANCE

**WHERE & HOW WE OPERATE**

---

**02**

## OPERATING CONTEXT

### GLOBAL ECONOMY

2021 witnessed a stronger than anticipated economic recovery as the threat of the COVID-19 pandemic receded following higher vaccination rates and the waning virulence of the coronavirus. The sudden surge in global demand for goods led to supply chain bottlenecks that fueled inflationary pressure on food and commodity prices. According to the International Monetary Fund IMF, the global economy is projected to grow at 5.9% in 2021 This is a significant improvement from the unprecedented -3.3% world economic contraction experienced in the year 2020.

### KENYAN ECONOMY

Kenya's economy continued to show resilience as output rose above pre-pandemic levels driven by a rebound in key economic sectors. According to the Kenya National Bureau of statistics, GDP was up 9.9% in Q3, 2021 compared to a 2.1% contraction in Q3, 2020. This growth was supported by rebounds in the manufacturing and services sectors following a general resumption in economic activity after the easing of COVID-19 restrictions.

### THE LIFE INSURANCE INDUSTRY

According to the Insurance Regulatory Authority (IRA) Q3, 2021 report, industry gross written premiums grew by 19% from Kshs 179.41 Billion in 2020 to Kshs 213.53 Billion in 2021. Life industry Gross Premium Income grew by 24% compared to 6.6% in the previous year, moving from KES 74.31 Billion to KES 92.12 Billion. The two main components of this income were Pensions and Life Assurance that contributed 38% and 28% respectively.

Life assurance total investment assets grew by 13.5% to KES 510 Billion from KES 449 Billion in Q3 2020. Government securities represented 76% of these assets with investment property and equities forming 9% and 7% respectively. Government bond prices fell as interest rates inched higher while the listed stocks registered good recoveries on the back of a positive economic outlook. The commercial property sector remained largely depressed due to both the impact of COVID-19 and a general supply glut in the face of reduced demand.

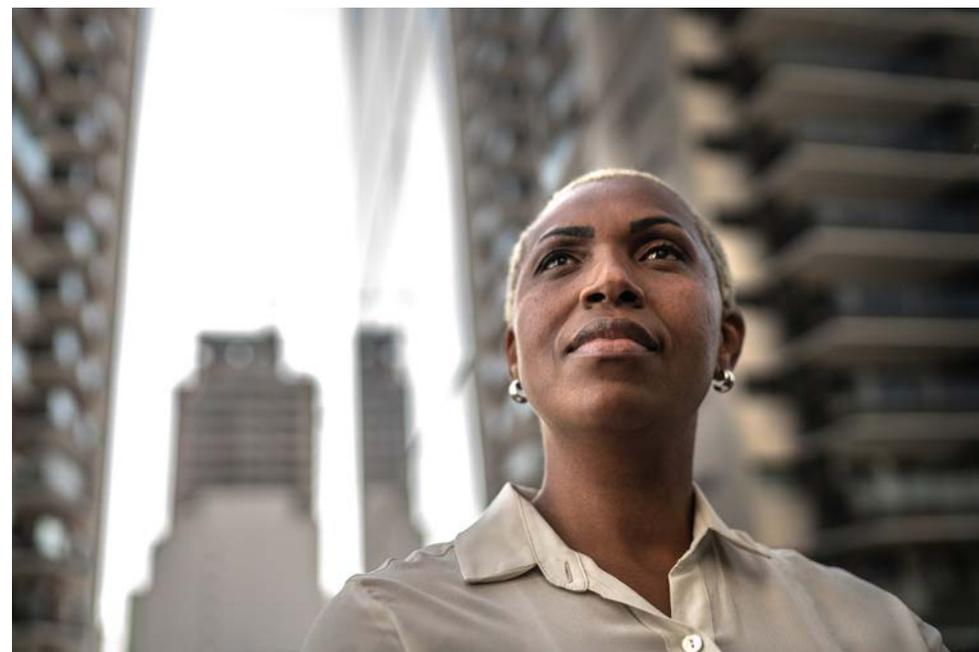
The top six life insurance companies (out of 24 life insurers) with a market share of at least 5% control 70% of the industry revenues. The remaining 18 companies have a market share of 30%. ICEA LION Life Assurance was second in the industry with a market share of approximately 16% (2020 - 14.2%).

## OUR GROUP PERFORMANCE

	2021 KES Billion	2020 KES Billion
<b>Total Income</b>	21	16
<b>Operating Expenses &amp; Other Outgo</b>	17	14
<b>Profit Before Tax</b>	3.9	2.2
<b>Total Assets</b>	128	111

### FUTURE OUTLOOK & OPPORTUNITIES.

The low insurance penetration rate in Kenya is testament to a bigger untapped market for businesses with relevant, local, simple and affordable solutions that meet and exceed customer needs. We see long-term opportunities in new growth markets powered by a technologically savvy youthful population and a growing regional economy.



## KENYAN MACRO ECONOMIC INDICATORS

	2021	2020
Gross Domestic Product (GDP) (USD)	104B	96B
Private Sector Credit Growth (%)	7.72%	8.20%
91 Day Treasury Bill Rate (%)	6.95%	6.85%
10 Year Treasury Bond Rate	12.29%	11.99%
GDP Growth Rate	7.9%	-0.3%
Average Headline Inflation	6.11%	5.29%
182 Day Treasury Bill Rate	7.57%	7.5%
15 Year Treasury Bond Rate	12.88%	12.59%
GDP per Capita (USD)	2,199	2,104
USD/Kshs Exchange Rate	113.14	109.17
364 Day Treasury Bill Rate	8.52%	8.55%
20 Year Treasury Bond Rate	13.30%	13.02%
Account Deficit	5.4% OF THE GDP	4.8% OF THE GDP

## UGANDAN MACRO ECONOMIC INDICATORS

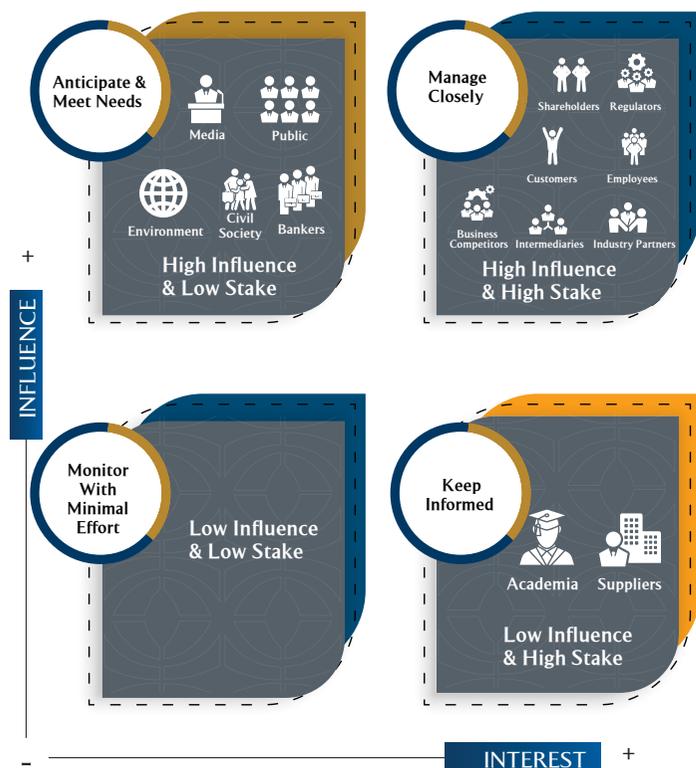
	2021	2020
Gross Domestic Product (GDP) (USD)	42.76B	37.37B
91 Day Treasury Bill Rate (%)	6.79%	8.7%
10 Year Treasury Bond Rate	14.29%	15.35%
GDP Growth Rate	6.6%	2.9%
Average Headline Inflation	2.20%	2.80%
182 Day Treasury Bill Rate	8.91%	10.3%
15 Year Treasury Bond Rate	14.83%	15.09%
GDP per Capita (USD)	1,018	925
USD/Ushs Exchange Rate	3,544	3,718
364 Day Treasury Bill Rate	10.36%	12.70%
GDP Growth Rate Q3	3.8%	-0.8%

## STAKEHOLDER MAPPING

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

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

### STAKEHOLDER MAP



## OUR STAKEHOLDER MANAGEMENT PROCESS

We have mapped our stakeholders according to their interest and influence.

This mapping allows us to define appropriate engagement strategies for each stakeholder group.

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



# OUR STAKEHOLDERS



# OUR BUSINESS MODEL



## OUR PREVIOUS STRATEGY 2018-2022

2021 marked the fourth year of implementation of our 2018-2022 strategy. Nonetheless, following the significant pandemic induced changes in the operating environment over the past 2 years, the Group found it necessary to rethink its strategic priorities and review the plan duration. Consequently, a new strategy was developed for the 2022-2024 period as set out on page 39.

Some of the key highlights of the previous 2018-2022 strategy are as summarized on the right



### Capturing growth markets

- All retail products included in the Mobile App
- Digital Personal Retirement product developed
- Our retail business i.e. the Ordinary Life and Personal Retirement Schemes, registered good growth over the strategic period.



### Setting up a Growth & Innovation Centre (GIC)

Data and digital capabilities developed



### Developing customer connectivity

The Group rolled out various digital channels including the:

- Mobile App for Agents
- Self Service portal
- USSD channel
- WhatsApp Chatbot



### Becoming an insight Driven organization

- Advanced the implementation of the data analytics strategy
- Built internal capabilities in terms of talent and systems
- Data Governance Framework developed



### Winning with partner & channel ecosystem

- The Partners portal launched is in use by our intermediaries
- The Group joined BimaLab to give and gain insights on potential innovation opportunities



### Harvesting group synergies

- Billions of shillings in revenues were generated through the Group synergy initiative across ICEA LION Group.



### Gaining profitability from operations efficiency

- Company Business Process Reengineering commenced
- Maintained the targeted Company Expense Ratio of less than 10%
- Company has registered solid profitability in 2021 - PBT Kshs 3.6 Billion

## OUR NEW STRATEGY: 2022-2024

### PROFITABLE GROWTH, BUSINESS MODEL TRANSFORMATION & CUSTOMER FOCUS

Our strategy is aimed at growth and is centred on 3 main themes

1. Retaining and organically growing our existing business
2. Acquiring business from existing and new markets through a differentiated value proposition
3. Revamping and expanding our retail model



## OUR STRATEGIC PRIORITIES:

### 1. PROFITABLE BUSINESS GROWTH

Our strategy is to grow the business across all product lines in a profitable and sustainable way by focusing on the following areas:

- Harvesting Group synergies and developing innovative product solutions
- Business acquisition through a differentiated service value proposition
- Developing new markets and partnerships

### 2. REVAMP AND EXPAND THE RETAIL MODEL

Our retail agency force continues to be a great source of growth. We will focus on sharpening our retail model by:

- Refreshing the agency value chain to increase productivity
- Growing our footprint in the retail market

### 3. IMPROVING OPERATIONAL EFFICIENCY

We will achieve operational efficiencies by redesigning our business operating model by:

- Streamlining and simplifying processes
- Implementing a fit for purpose organisational structure
- Identifying, developing and building relevant talent for the future

### 4. CUSTOMER RETENTION

Exceptional customer experience will be a differentiator for the ICEA LION brand and will be achieved through:

- Deeply understanding our customers to provide relevant solutions
- Providing digital, Omni-channel capabilities for customer engagement
- Pivoting from transactional to relationship centred engagement with our customers

### 5. ENABLERS

- Finance
- Actuarial
- Brand
- Technology



**ICEA LION**  
LIFE ASSURANCE

**GOVERNANCE  
STATEMENTS**

**03**

## CHAIRMAN'S GOVERNANCE STATEMENT

On behalf of the ICEA LION Life Assurance Board, it is my pleasure to share with you this comprehensive 2021 Corporate Governance Report.

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

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

### BOARD OF DIRECTORS

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

### BOARD CHARTER & WORK PLAN

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

**“Our focus on incorporating best in class corporate governance frameworks and culture translates to a strong company that delivers sustainable returns and impact for all our stakeholders.”**



**JOSEPH WANGAI**  
CHAIRMAN, ICEA LION LIFE ASSURANCE

## OUR BOARD CHARTER

Key components in our Board charter include the following:

- 01 SIZE AND COMPOSITION OF THE BOARD IN COMPLIANCE WITH REGULATORY GUIDELINES AND BEST PRACTICE
- 02 ROLE/FUNCTIONS OF THE BOARD
- 03 BOARD TENURE
- 04 GUIDELINES ON APPOINTMENT TO THE BOARD
- 05 BOARD TRAINING
- 06 BOARD INDUCTION PROCESSES
- 07 PERFORMANCE EVALUATION OF THE BOARD AND ITS COMMITTEES
- 08 BOARD REMUNERATION POLICIES

## BOARD COMPOSITION & APPOINTMENTS

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

### DIVERSITY

Our Board recognises the benefits of a diverse skills base across the Company and is supportive of initiatives that promote diversity at all levels. Despite making some strides in this regard, we as a Company still seek to increase female representation at Board level. This continues to be a target we are eager to achieve in the near future.

### BOARD MEETINGS AND INFORMATION FOR DIRECTORS

In 2021, our Board met four times on pre-set dates, to review and monitor the implementation of strategic initiatives and business plans, review quarterly financial results, approve financial reports and maintain effective control over strategic, financial, operational and compliance issues. In carrying out the above responsibilities, our Board delegates its authority to the Chief Executive Officer to oversee the day to day operations of the Company.

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

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

### BOARD EVALUATION

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

## BOARD OF DIRECTORS MEETING ATTENDANCE

Main Board Meeting					
Name	Designation	19.03.21	24.06.2021	24.09.2021	26.11.2021
J P M Ndegwa	Chairman (Resigned 01.09.21)	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
D G M Hutchison	Member	√	√	√	√
P K Mugambi	Alternate Director	√	√	√	√
R M Ndegwa	Alternate Director	√	√	√	√
P W Kamau	Member (Resigned 01.09.21)	√	√	X	X
J K Kimeu	Member	√	√	√	√
Dr C Mwangi	Member	√	√	√	√
Mr M Manga	Member	√	√	√	√
M. Abdullahi	Member	√	√	√	√
Mr K Thuo	Member	√	√	√	√
J. Wangai	Chairman (Appointed 01.09.21)	√	√	√	√
D. Lacey	Member	√	√	√	√
N. Kelly	Member	√	√	√	√
G. Nyakundi	CEO	√	√	√	√

Board Audit, Risk & Compliance Committee					
Name	Designation	16.03.2021	22.06.2021	21.09.2021	24.11.2021
P W Kamau	Chairman (Resigned 01.09.21)	√	√	X	X
K. Thuo	Chairman (Appointed 01.09.21)	X	√	√	√
A S M Ndegwa	Member	√	X	√	X
J K Kimeu	Member	√	√	√	√
D G M Hutchison	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
R M Ndegwa	Member	√	√	√	√
Dr C Mwangi	Member	√	√	√	√
G. Nyakundi	CEO	√	√	√	√

Present √

Absent with Apologies X

Board Remuneration & Nominations Committee				
Name	Designation	17.03.2021	25.11.2021	
J P M Ndegwa	Chairman	√	√	
A S M Ndegwa	Member	√	√	
Dr. C Mwangi	Member	√	√	
J K Kimeu	Member	√	√	
G. Nyakundi	CEO	√	√	

Board Growth, Innovation & ICT Committee						
Name	Designation	15.03.2021	21.06.2021	20.09.2021	22.11.2021	
M Manga	Chairman	√	√	√	√	
A S M Ndegwa	Member	√	√	√	√	
J K Kimeu	Member	√	√	√	√	
P K Mugambi	Member	√	√	√	√	
M. Abdullahi	Member	√	√	√	√	
Dr C Mwangi	Member	√	√	√	√	
G. Nyakundi	CEO	√	√	√	√	

Board Strategy								
Name	Designation	22.10.2021	Name	Designation	22.10.2021	Name	Designation	22.10.2021
J. Wangai	Chairman	√	M Manga	Member	√	M. Abdullahi	Member	X
J P M Ndegwa	Member	√	J K Kimeu	Member	√	Mr K Thuo	Member	√
A S M Ndegwa	Member	√	D Lacey	Member	√			
D G M Hutchison	Member	√	N Kelly	Member	√			
P K Mugambi	Member	√	Dr C Mwangi	Member	√			
R M Ndegwa	Member	√	G. Nyakundi	CEO	√			

Board Finance & Investment Committee						
Name	Designation	15.03.2021	21.06.2021	20.09.2021	22.11.2021	
A S M Ndegwa	Chairman	√	√	√	√	
J K Kimeu	Member	√	√	√	√	
P K Mugambi	Member	√	√	√	√	
M Manga	Member	√	√	√	√	
G. Nyakundi	CEO	√	√	√	√	

Present √

Absent with Apologies X

Attendance at Full and Board Committee meetings was commendable

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

### ROLE OF THE CHAIRMAN & THE CHIEF EXECUTIVE OFFICER

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

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

### OUR BOARD COMMITTEES

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

### (A) BOARD AUDIT & RISK MANAGEMENT COMMITTEE

This committee is chaired by an independent non-executive director. There are five other directors who sit in this committee. The CEO, the Chief Financial Officer, Manager - Internal Audit and the Manager - Risk and Compliance attend by invitation.

The committee met four times in 2021 and is responsible for ensuring that the systems and controls, procedures and policies of the Company as well as risk management activities are properly established, monitored and reported. The committee meets to review external auditors' plans and reports, internal audit reports and any proposals or reports that affect ICEA LION's internal control environment. Matters relating to ethics and policy holders' protection are dealt with by this committee.

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

### (B) BOARD FINANCE & INVESTMENTS COMMITTEE

This committee is chaired by a non-executive director. Five other non-executive directors also sit in this committee. The CEO, Chief Financial Officer and the CEO of ICEA LION Asset Management Limited attend by invitation.

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

### (C) BOARD GROWTH, INNOVATION & ICT COMMITTEE

This committee is made up of two independent non-executive directors, one of whom is the Chair. Four other non-executive directors also sit in, both of whom are independent, and two other directors also sit in. The CEO, Head of Transformation and Innovation, Head of Infrastructure, Head of Business Applications and the Manager, Risk and Compliance, attend by invitation. This committee met four times in 2021. This committee reviews the ICT Strategy including ICT Security and Business Continuity Plans (BCP), recommends ICT projects for Board approval, reviews recommendations on the annual budgets and monitors project implementation.

### OUR BOARD COMMITTEES



It also vets the Company's innovation strategy and investments in innovation development prior to submission to the Board for approval. It monitors compliance with the approved innovation strategy, including innovation portfolio mix and the progress made in its implementation.

#### **(D)BOARD NOMINATIONS & REMUNERATION COMMITTEE**

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

#### **PRINCIPAL OFFICER & SENIOR MANAGEMENT**

In our commitment to strengthen efficiency and executional capability, we have in place a strong management team. The calibre of our senior leadership team has ensured that risks and governance have been well managed throughout the year with a clear commitment to not only doing things in the right way but also doing the right things. Our team has the requisite qualifications and experience in their respective fields. We also meet the "fit and proper persons' criteria" in compliance with the "Guidelines of Suitability of Persons" as required by the Insurance Regulatory Authority. Directors have been inducted on how the Group manages and governs itself, how we make decisions, what we stand for and the standards of governance we wish to attain.

#### **OUR SUSTAINABILITY PRACTICES**

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

We have recently joined the UN-convened Net-Zero Insurance Alliance (NZIA) which brings together some of the world's leading insurers and reinsurers to play their part in accelerating the transition to low carbon emissions by 2050. NZIA reinforces our deep commitment to continue to engage with our stakeholders to deliver solutions that support their resilience in current times and more importantly in the medium to long term.

We have also spearheaded and co-developed the Nairobi Declaration on Sustainable Insurance – a statement of commitment by African insurance leaders to promote the SDGs through our business practices.

#### **INTERNAL CONTROL & RISK MANAGEMENT SYSTEMS**

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

Our Company has established a fully-fledged risk management and compliance function headed by a senior officer. This position is the focal point of in-house risk management compliance monitoring, authentication and related activities. This function has coordinated the setup of the risk appetite by the Board of Directors which has been cascaded to the senior management team. We have recently incorporated a new approach to risk management – the Dynamic Risk Assessment which seeks to enable a connected view of risks; away from the traditional, two dimensional view of risk, by mathematically and visually illustrating risk connectivity, contagion and clusters. It introduces the dimensions of interconnectivity and velocity to the traditional impact and likelihood view of the risks. We also have in place an independent internal audit function headed by a senior officer. This function reviews the adequacy and effectiveness of ICEA LION's adherence to its internal controls as well as reporting on strategies, policies and procedures.

Our internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against material financial misstatements or loss.

These systems are designed to:



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

- 01 ESTABLISHMENT AND MONITORING OF THE INTERNAL CONTROL FRAMEWORK BY THE MANAGEMENT
- 02 REVIEW OF THE INTERNAL AND EXTERNAL AUDIT REPORTS
- 03 DEFINE PROCEDURES FOR THE APPROVAL OF MAJOR TRANSACTIONS
- 04 HAVING TERMS OF REFERENCE FOR THE BOARD AND EACH OF ITS COMMITTEES
- 05 A CLEAR ORGANIZATIONAL STRUCTURE WITH DOCUMENTED DELEGATION OF AUTHORITY

## COMPLIANCE & ANTI-MONEY LAUNDERING PROGRAM

- 01 THE CORPORATE GOVERNANCE CODE FOR PRIVATE SECTOR ORGANISATIONS
- 02 UNEP FI PRINCIPLES OF SUSTAINABLE INSURANCE
- 03 THE ANTI-MONEY LAUNDERING GUIDELINES BY THE INSURANCE REGULATORY AUTHORITY (IRA);
- 04 THE UK CORPORATE GOVERNANCE CODE;
- 05 ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) PRINCIPLES ON CORPORATE GOVERNANCE;
- 06 THE KING IV REPORT ON CORPORATE GOVERNANCE
- 07 FINANCIAL ACTION TASK FORCE (FATF) AMONG OTHERS.

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

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

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

The Code of Business Conduct and Ethics informs the guidelines and controls to ensure fair dealings with our stakeholders. In cases of doubt, the compliance department provides advice. The tasks of the compliance team include advising the business units on relevant laws and other regulations, the creation, implementation and monitoring of compliance with internal guidelines and standards as well as regular training of employees on applicable rules. A major component of the compliance programme is an **independently managed whistle-blower system** that allows employees to alert the compliance and audit departments confidentially about irregularities. Employees who voice concerns about irregularities in good faith should not fear retribution in any form, even if the charge later turns out to be unfounded. To transmit the principles of the Code of Conduct and other compliance guidelines and controls effectively, we have developed interactive training programmes.

## ACTUARIAL FUNCTION

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

## CONFLICT OF INTEREST

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

## DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 39(iii) to the financial statements for the year ended 31 December 2021. (See page 182)

## RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors or Management except those disclosed in Note 25 on page 169 and Note 39(i-ii) on pages 181-182 to the financial statements for the year ended 31 December 2021.

## COMPLIANCE WITH THE LAW

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



### **CONDUCT OF BUSINESS & PERFORMANCE REPORTING**

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

### **DISCLOSURE OF INFORMATION & RELATIONSHIP WITH THE INSURANCE REGULATORY AUTHORITY**

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

### **ACCOUNTABILITY, AUDIT & SHAREHOLDER RELATIONS**

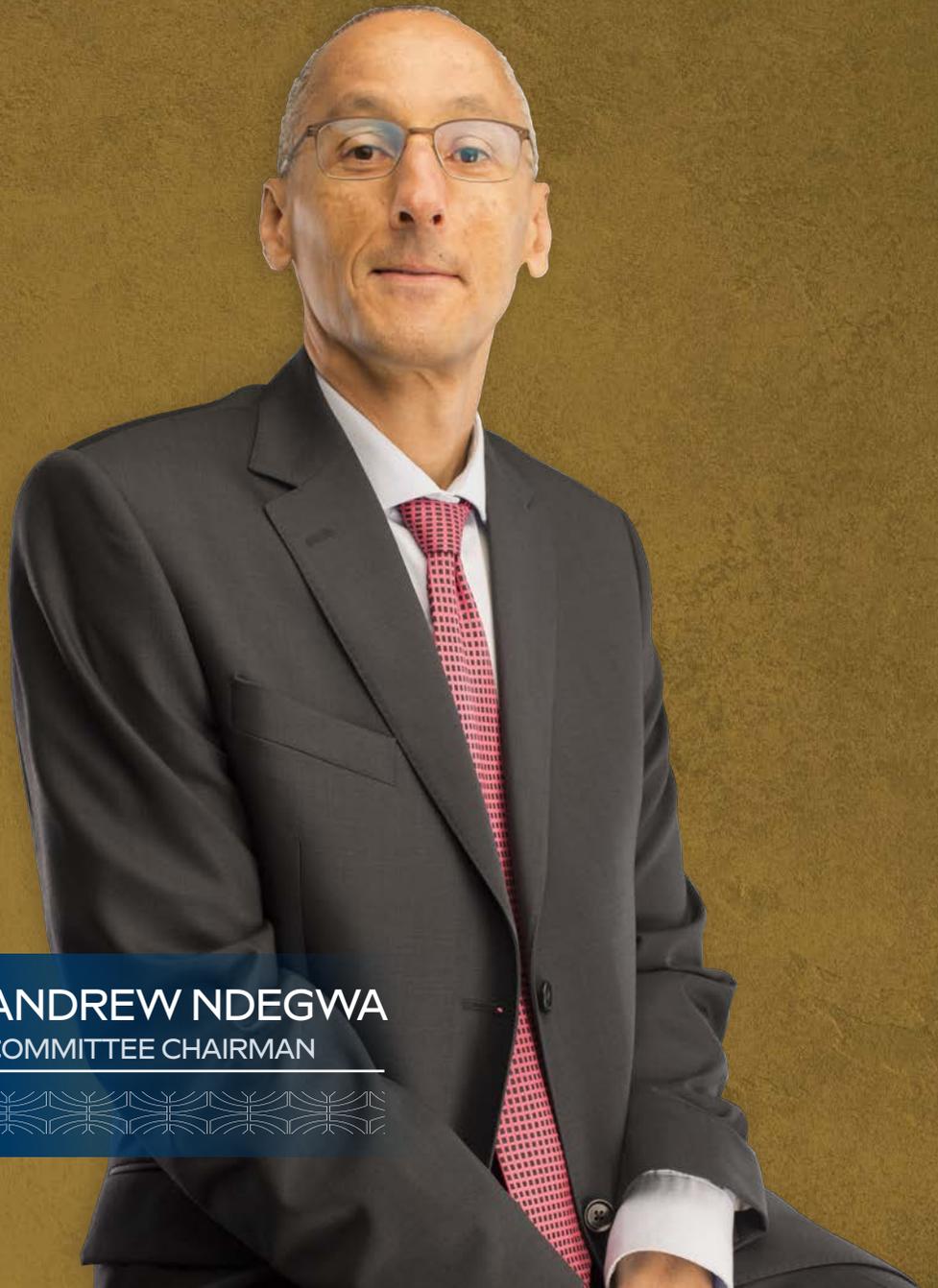
Our Board recognises its responsibility to present a balanced and understandable assessment of the ICEA LION's financial position and prospects. Our financial statements are prepared in accordance with IFRS and the requirements of the Kenyan Companies Act 2015 and are audited in accordance with International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

### **STAKEHOLDER GROUPS**

We take cognizance of the fact that we can only thrive if we balance the interests of our key stakeholders. The target operating model puts market management as well as customer value at centre stage with customer centricity and innovation programmes having been defined. In order to assure its progress, we measure our customers' satisfaction and brand value.

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

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



**ANDREW NDEGWA**  
COMMITTEE CHAIRMAN

# BOARD FINANCE & INVESTMENT COMMITTEE

## CHAIRMAN'S STATEMENT

It is my pleasure to present the report of the Board Finance and Investment committee for the year ended 31 December 2021.

The Committee is charged with the responsibility of:

- 01 REVIEWING AND RECOMMENDING TO THE BOARD THE COMPANY'S ASSET ALLOCATION POLICIES AND STRATEGIES INCLUDING ASSET LIABILITY MATCHING
- 02 REVIEWING INVESTMENT POLICIES AND STRATEGIES
- 03 MONITORING COMPLIANCE WITH THE APPROVED INVESTMENT STRATEGY INCLUDING INVESTMENT MIX
- 04 MONITORING THE PERFORMANCE OF THE INVESTMENT PORTFOLIO
- 05 RECOMMENDING INVESTMENT PROPOSALS TO THE BOARD FOR APPROVAL AND OVERSEEING INVESTMENT PROJECTS
- 06 ENGAGING AND OVERSEEING THE PERFORMANCE OF INVESTMENT MANAGERS AND CONSULTANTS

During the year 2021, our investment portfolio performance was resilient despite the lingering economic challenges wrought by COVID-19. This was in large part underpinned by our disciplined adherence over the years to our set investment objective which is to achieve long-term, stable and competitive risk adjusted returns. Both our asset allocation and investment strategy are designed to attain this objective.

To this end, to ensure capital preservation and stability of returns that lines up with the Company's liability profile, 78% of our investment assets are placed in the fixed income class. Thanks to a strong sales performance, our investments in government securities grew by KES 14 billion to close the year at KES 92.5 billion. Due to a general increase in interest rates the marked-to-market component of this portfolio recorded revaluation losses of KES 0.48 billion. On the whole however, the general increase in interest rates was a net positive that led to higher realized investment income.

**|| In the year 2021 we achieved a milestone as the Company investment portfolio crossed the 1 billion US Dollar mark, a first in the industry. In total Company investment assets grew by KES 16.7 billion to KES 123 (USD 1.04) billion representing a 14% growth over 2020. ||**



Due to dampened market demand, the average occupancy ratio of our property portfolio decreased. Our real estate holdings, which constitute about 8.5% of total investment assets, returned revaluation losses of KES 0.26 billion. During the year, the committee considered and approved varied measures aimed at increasing occupancy and improving the portfolio's rental income.

Our equity portfolio gained in value due to a general positive sentiment on the Nairobi Securities Exchange where the NSE-20 share index was up 2% compared to a 30% slump in 2020. At the end of the year, the revaluation gains on the Company's portfolio amounted to KES 1 billion. This market outperformance was the result of a careful stock selection strategy for our equity portfolio which constitutes about 8% of the investment asset base.

In the year 2021 we achieved a milestone as the Company investment portfolio crossed the 1 billion US Dollar mark, a first in the industry. In total Company investment assets grew by KES 16.7 billion to KES 123 (USD 1.04) billion representing a 14% growth over 2020.

In line with our stated objective of capital preservation and stability of returns, the committee explored various options of expanding our investment opportunity set including investment in alternative assets. This approach coupled with a robust risk management framework will help us to generate competitive returns from our increasing investment portfolio.

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



ANDREW NDEGWA | COMMITTEE CHAIRMAN



**MR. KAIRO THUO**  
COMMITTEE CHAIR MAN



## BOARD AUDIT & RISK MANAGEMENT COMMITTEE

### CHAIRMAN'S STATEMENT

Our prudent approach to risk management has enabled us to remain resilient in a highly volatile, uncertain, complex and ambiguous (VUCA) operating environment. The Committee had to be highly vigilant on a continuing range of issues most of which spilled over from the year 2020. COVID-19 year. In light of this, we continued to review and reprioritize our agenda in response to the post COVID-19 world. This, we did, while focusing on our fundamental responsibilities in respect to the oversight of financial reporting and internal controls, which added complexities arising from the crisis.

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

01

Continuous monitoring of performance, cash flow, capital preservation, and a renewed focus on the strength of the balance sheet.

02

Third-party risk management, scenario planning, awareness of new legislation specifically on workplace health and safety, and ensuring comprehensive business continuity by thinking that is relevant for the times. This included monitoring the effectiveness of Working from Home (WFH) plans and employee productivity monitoring.

03

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

04

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

**“ During the 2021 financial year, and in response to COVID-19, we made a number of decisions that have ultimately supported our purpose and created long-term value for the Group and our stakeholders. ”**

As a Committee, health and safety risks continued to take centre stage during the year under review, with the risk appetite guiding the Groups Crisis Management team's oversight activities during these unprecedented times.

During the year, the Committee:

-  Provided oversight to the Groups Pandemic Response plans in liaison with other Board Committees.
-  Reviewed the Company's Integrated Report
-  Reviewed the effectiveness of the internal controls and the work of Risk and Internal Audit functions.

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

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

The Statement of Directors' Responsibilities on this can be found on page 97 of this report. The Committee also approved the on-boarding of a new External Auditor – KPMG.

### COMPANY CAPITAL ADEQUACY

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

### FILING OF STATUTORY RETURNS

The committee reviewed the filing of various statutory returns in the Company's subsidiaries and was satisfied with the compliance levels. No major issue was noted during the period under review.

### INTERNAL CONTROL & RISK MANAGEMENT

The Board has overall accountability for ensuring that risk is effectively managed across the Company. On behalf of the Board, this Committee has responsibility for reviewing the effectiveness of internal controls including financial, operational and compliance controls.

In order to do this, the Committee:

- Receives and agrees on appropriate actions in response to regular reports from the Risk and Internal Audit function on:
  - » The status of internal control and risk management systems
  - » The department's findings, annual plan and the resources available to it to perform its work
  - » Any concerns expressed by colleagues about possible malpractice or wrongdoing
- Reviews whistle-blowing reports from the Company; and reviews the external auditor's management letter on internal financial controls.
- Seeks reports from senior management on the effectiveness of the management of key risk areas; and monitors the adequacy and timeliness of management's response to identified audit issues.
- The Company's principal risks are set out from pages 64 to 70 of this report.

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

-  Recruitment of suitable qualified and experience finance, internal audit and risk team members
-  Segregation of duties, clear reporting lines and accountability and delegation of authority
-  Policies & procedures that cover financial planning & reporting, preparation of financial & non-financial information & capital expenditure
-  A robust period-end review process including review and commentary from process owners
-  A tiered review process for external financial reports involving internal stakeholders from relevant areas of the business

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

## OUR NEW APPROACH TO RISK MANAGEMENT

The Company has implemented a Dynamic Risk Assessment (DRA) approach which is a new technique for identifying and managing risks. This approach enables a connected view of risks; away from the traditional, two dimensional view of risk, by mathematically and visually illustrating risk connectivity, contagion and clusters. It introduces the dimensions of interconnectivity and velocity of the risks. Going forward, this Committee will review Type 1 risks, which are the normal day to day risks that sit in the risk registers and are highlighted on page 64 as well as Type 2 risks which are more emerging and external risks that may have a great impact on the Company's strategy from both a risk and opportunity standpoint.

## INFORMATION TECHNOLOGY RISKS

As part of its oversight responsibility, this Committee reviews controls over ICT. The Company has a qualified ICT systems auditor who reviews ICT systems general controls with an aim of providing an independent assurance on the effectiveness and efficiency of IT controls. Aside from that, working with the internal auditors, external auditors and external technical reviewers, the Committee was able to review the status of the Company's information security processes.

## CYBER SECURITY AND DATA PROTECTION

The extensive use of remote working led to a greater threat of cybercrime. For this reason, changes in the types of attacks have been constantly monitored and tools are in place to identify and manage the risks in a timely manner. This risk was on top of the Committee's radar with clear measures and targets put in place to minimise the risks. Extensive awareness campaigns to staff were conducted during this period. With the new Data Protection Act, 2019, the Committee placed significant focus on data loss risks with the Company adopting a clear roadmap and strategy for data protection compliance. No major information security breaches were noted in 2021.

## INTERNAL AUDIT

This department provides objective and independent assurance to the Committee on the state of the Company's risk management and governance frameworks, internal controls and integrity of the financial reporting process.

The internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against material financial misstatements or loss.

The Committee approved the Company's annual Internal Audit Plan, which was developed through a robust risk assessment of the Company's auditable universe. The Internal Audit function executed its mandate by issuing regular audit reports to the Committee as well as tracking and monitoring management action regarding implementation of audit recommendations.

Key audit themes covered in the audit period are highlighted in the table below:

Key Audit Theme	Audit Focus Area	Meeting Dates 2021
Information Technology	IT Disaster Recovery and Business Continuity planning	16 <sup>th</sup> March
Operational	Personal Retirement Schemes	16 <sup>th</sup> March
Financial	Commissions	22 <sup>nd</sup> June
Financial	Cash and Bank	22 <sup>nd</sup> June
Financial	Investment Properties	22 <sup>nd</sup> June
Information Technology	Self Service Portal	21 <sup>st</sup> September
Information Technology	Enterprise Service Bus (ESB)	21 <sup>st</sup> September
Financial	Fixed Assets	21 <sup>st</sup> September
Financial	Financial Investments	21 <sup>st</sup> September
Compliance & Regulatory	Anti - Money Laundering	24 <sup>th</sup> November
Information Technology	Navision Financial Systems	24 <sup>th</sup> November
Financial	Operating Expenses	24 <sup>th</sup> November
Operational	Group Risk Business	24 <sup>th</sup> November

The Committee is satisfied with the performance of the Internal Audit function and will continue to provide support in ensuring it is able to achieve its mandate effectively.

## EFFECTIVENESS & INDEPENDENCE OF THE EXTERNAL AUDITOR

The Committee approved KPMG as the new external auditor with the following having been taken into consideration during the process:

- Terms, areas of responsibility, duties and scope of work of the external auditor
- Audit work-plan for the Group
- The letter from the external auditor confirming its independence and objectivity
- The auditor's fee

KAIRO THUO | COMMITTEE CHAIRMAN

## BOARD REMUNERATION & NOMINATIONS COMMITTEE

### CHAIRMAN'S STATEMENT

The role of this Committee is to make recommendations for the appointment of potential directors, the evaluation of the performance and effectiveness of the Board, its Committees and Directors as well as succession planning.

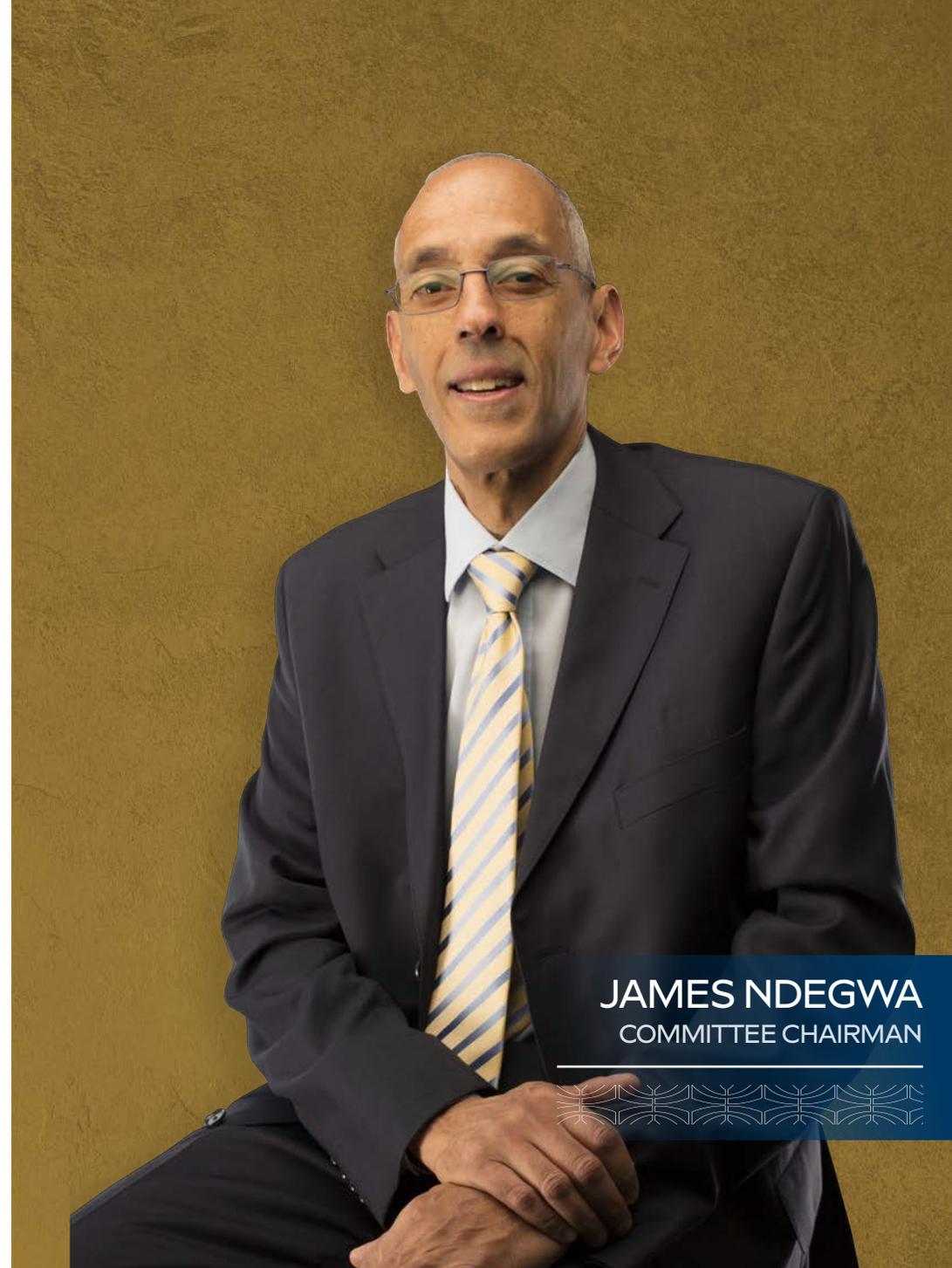
The Committee is also responsible for making recommendations to the Board on executive remuneration and incentive policies, recruitment and retention policies for senior management and the remuneration framework for directors, among other matters.

The Committee meets at least twice a year and is responsible to the Board.

### IN 2021 THE COMMITTEE EXECUTED THE FOLLOWING KEY ACTIONS:

- Continued to oversee and approve strategies for securing the health and safety of employees and other stakeholders in line with Ministry of Health guidelines on COVID-19. This provided an environment that supported business continuity and ensured effective risk management to mitigate health and safety risks for employees.
- Oversaw the Company's compliance with regulatory frameworks, Best Practice, Corporate Governance and
- Relevant codes.
- Oversaw the recruitment of senior management.
- Reviewed and approved an enhanced employee benefits structure.

**|| Our aim is to support the Board Vision of a Group characterized by integrity and responsible business practices, robust governance as well performance-based remuneration and reward. ||**



## BOARD APPOINTMENTS

During the year the Committee recommended three non-executive board appointments that were made following regulatory approval:

### Mr Joseph Wangai Wamae

Mr Wangai is a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK). He has extensive experience in financial management as a professional accountant, auditor and business advisory professional, keen on entrenching best practice in corporate governance for best and all round performance. He recently served as a Partner with Deloitte and Touché East Africa for a period of 21 years. Mr Wangai has also served as a member of the Board of Deloitte Africa for five years with three of those being the Deputy Chairman and two being the Chairman. Currently he is a member of the Board of Kenya Golf Limited and also serving as a non-executive member of the board of Kenyatta International Convection Centre.

### Mr Douglas Lacey

Doug is a special advisor to Leapfrog Strategic Africa Investments (LSAI), a partnership between Prudential Financial Inc. and Leapfrog Investments in which he was one of the founding partners. Doug has served in various senior engagements, and at African Life Assurance Company, he last served as Divisional Chief Executive, Rest of Africa responsible for business operations in Botswana, Namibia, Kenya, Zambia, Tanzania and Ghana. He also served on the boards of all African Life companies in these countries.

He is a Fellow of the Chartered Insurance Institute (CII) UK

### Mr. Norman Kelly

Norman is an actuarial specialist with extensive experience working in different Africa Markets. He is currently a member of the Continuous Statistical Investigation (CSI) Committee, a sub-committee of the Actuarial Society. He has served in various senior positions including been the head the actuarial function for African Life's subsidiaries in Botswana, Kenya, Ghana, Zambia and Tanzania, other African territories includes Nigeria and Uganda.

In 2008 he was appointed as a Director to the Boards of Botswana Insurance Holdings Limited (BIHL) and Pan Africa Insurance Holdings (PAIH), both listed entities on the Botswana and Kenya stock exchanges respectively. In the same year he served as a board member to the Board of Enterprise Life Assurance Company (ELAC) in Ghana and was also appointed as an alternate director to African Life Zambia and African Life Tanzania Boards.

## REMUNERATION PHILOSOPHY

The Group is committed to a remuneration philosophy that focuses on rewarding consistent and sustainable individual and corporate performance. It ensures that an appropriate balance is achieved between the interests of shareholders, operational and strategic requirements of the Group and offers attractive and appropriate remuneration packages. The Group has a competitive remuneration structure that enables the Company to attract, motivate, reward and retain highly talented people.

## REMUNERATION PRINCIPLES

The principles that reflect and drive the remuneration philosophy are:

- Internal and external pay equity based on fair and transparent remuneration practices.
- Pay for performance that rewards employees for the contribution they make to the Company.
- Transparency and objectivity in the reward systems to ensure they are easy to understand and communicate.
- Flexibility to accommodate business environment changes that impact staff remuneration issues.
- Fostering team work and collaboration beyond individual roles, departments and beyond operating business boundaries.
- Total remuneration made up of fixed and variable pay components.

The targeted remuneration level for the Group is influenced by the prevailing market rates, business performance levels, viable and sustainable cost ratios, and prevailing pay rates in our targeted source of competent staff. Market rates are informed through periodic bench marking surveys of relevant comparator organizations and employment markets.

## BOARD GROWTH, INNOVATION & ICT COMMITTEE

### CHAIRMAN'S STATEMENT

#### INTRODUCTION

As Chair, it gives me great pleasure to present the 2021 Board Innovation & ICT Committee report. The year 2021 has been characterized with the recovery of the global economy thanks in part to the proliferation of COVID - 19 vaccines. Despite the world slowly recoiling back to normal life away from curfews and other restrictions, the digital advances in communication and delivery of goods and services is unlikely to reverse. As such the need for businesses, such as ours, to continuously deliver superior digital customer experience remains unchanged. It is important to note that insurance penetration continues to remain low in East Africa at around 2% on average as a result of the limited ability of industry to attract retail and corporate customers outside of the existing net. Herein lies the opportunity that the Technology and Transformation Department seeks to exploit. The leadership together with the management have heeded to this clarion call of customers and have successfully executed the first steps towards molding a future proof department by relooking at our target operating model and expanding the department's innovation and data harnessing span by incorporating the ideas and resources from other departments under cross functional teams. With these building blocks in place, the outlook for the year 2022 will be exciting as we roll out innovative products and services that this report will touch on.

#### THE DEPARTMENT STRUCTURE: THE JOURNEY TOWARDS AN EFFECTIVE OPERATING MODEL

With the dissolution of the Growth and Innovation Centre (GIC), the Group took another look at how best to bring out innovative products and services to our customers. Upon strategic reflection, one of the challenges exhibited was the separation of traditional ICT functions and cross departmental innovation.

**“The need for businesses, such as ours, to continuously deliver superior digital customer experience remains unchanged.”**



**MUGWE MANGA**  
COMMITTEE CHAIRMAN



To answer this challenge a new structure was accorded. This new umbrella is called the Technology and Transformation Department. This department hosts both the functional ICT operations and incorporates new elements to assist in the execution of digital transformation strategies powered by innovation from group departments.

Some of the outcomes already being realized from this new structure include:

1. Simpler ICT governance with efficient use of ICT resources especially talent with a reduced overall cost structure
2. Coherent reporting to the Committee and Group board on technology and transformation matters

All in all, the new structure seeks to develop robust direct digital channels to the customers while harnessing superior data that will serve the customer better. It is with this data that the Department will be able to grow its innovative products that would be further aligned to the customers needs. The power of knowing our customers is a strength we pursue as part of the 'segmentation of one' strategy of bespoke offerings.

### **INNOVATION EVERYWHERE: DEVELOPING CROSS FUNCTIONAL TEAMS**

Cross functional teams are important in effectively delivering innovative products to the customers on time and on budget. This process is highly valued because it creates ownership of new ideas that can be complex to execute in a siloed manner. Working with individuals under a structured project by project bases helps not only creating an agile working methodology but ensures that the best ideas get to market. A reality of innovation is that not all ideas will light up or fly.

### **2022 OUTLOOK: SERVING OUR CUSTOMERS DIGITALLY**

Driven by business strategy for the next 3 years, the Technology and Transformation Department has embarked on two focus areas for the year 2022:

- Move to cloud
- Digital distribution

### **ACKNOWLEDGEMENTS**

The strength of ICEA LION Group remains its people and without their talent and dedication the Lion cannot run. I would therefore like to acknowledge and thank the amazing people working to make the Technology and Transformation department an engine for long term growth for the company. As we gear up to 2022 we must remain steadfast in our quest to always serve the customer better at all times.

MUGWE MANGA | **COMMITTEE CHAIRMAN**





**ICEA LION**  
LIFE ASSURANCE

## OUR RISK LANDSCAPE



# 04

# DYNAMIC RISK ASSESSMENT

## DRA Approach

The DRA approach incorporates future trends and their downstream consequences to organizations so as to identify their future expected pathways of contagion and expected velocity.

### Panoramic View of Risks

The Group has implemented a Dynamic Risk Assessment (DRA) approach which is a new technique for identifying and managing risks.

This approach enables a connected view of risks away from the traditional, two dimensional view, by mathematically and visually illustrating risk connectivity, contagion and clusters. It introduces the dimension of interconnectivity and velocity of the risks.

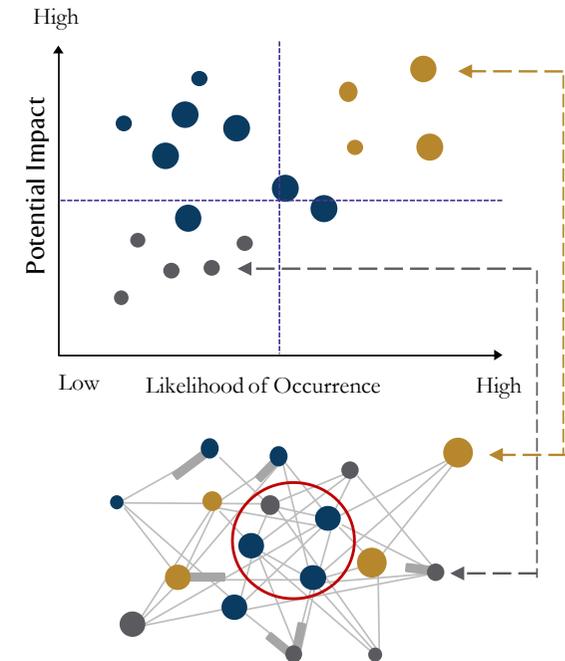
### Interconnectedness of Risk

DRA approach recognizes the absence of certainty regarding future events and provides insights on business decisions, and results, by accounting for the occurrence of potential challenges such as the COVID 19 pandemic, unprecedented low interest rates, population growth, its flow-on effects on food and water supplies, the energy revolution, rising life expectancy, amongst others.

### Velocity of Risk

This proprietary approach, owned by KPMG, was developed to deal with the limitations of traditional risk models in generating future outcomes when past data does not exist.

Two dimensional view of risk



- This individually insignificant issue has hidden systemic significance: it triggers many other risks and opportunities into existence, all of them more significant than itself.
- The individually most significant issue exhibits low levels of expected contagion. Likelihood and impact of this cluster exceeds those of this single issue.

# GOVERNANCE, RISK AND COMPLIANCE



## Governance at a Glance

Our risk governance process is robust with a well developed Enterprise Risk Management Framework, which includes mandated committees comprised of persons with the relevant skills and expertise.



## Risk Management

Our risk measures aim at matching regulatory requirements and shareholder expectations for risk-adjusted returns.

We prudently manage our capital, liquidity and funding levels to support business growth, maintain interested parties confidence, as well as to protect & create wealth for our shareholders and clients. We closely monitor both financial and non-financial risks parameters to manage risks.



## Regulatory Compliance

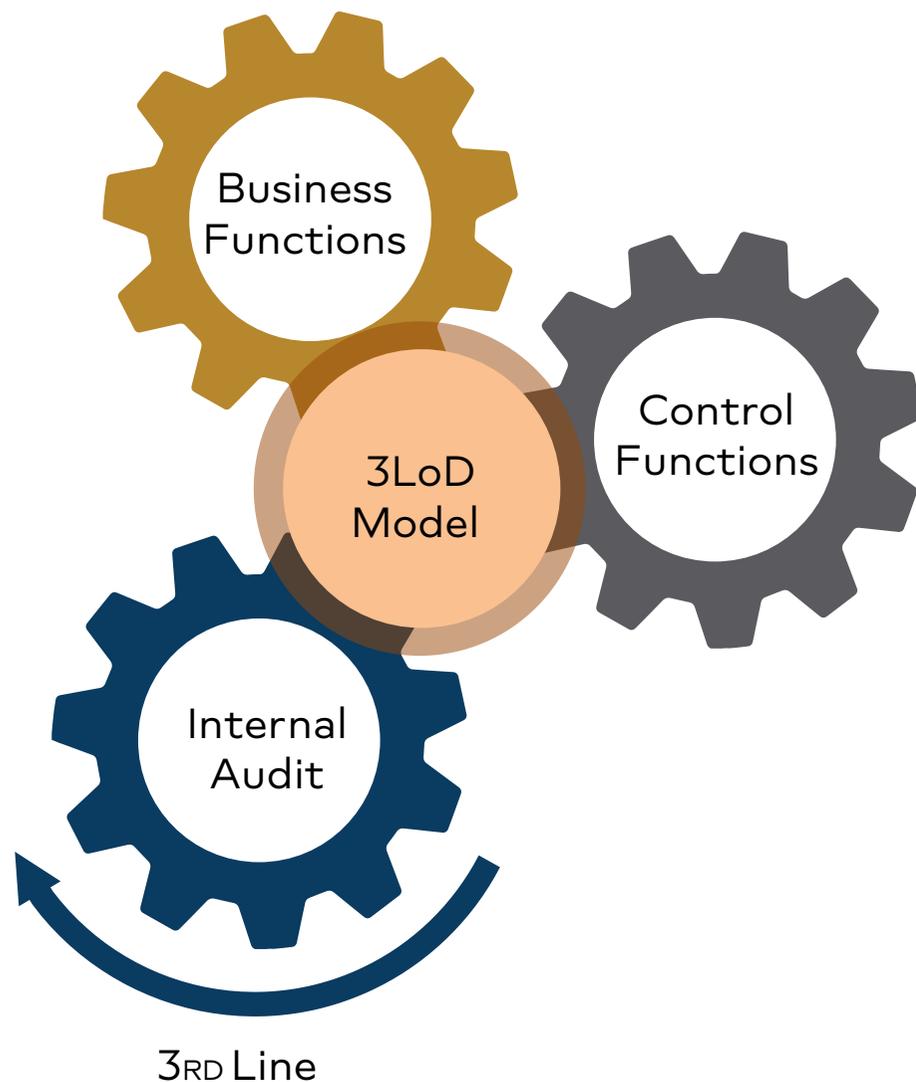
We manage compliance in accordance with our Compliance Framework and are guided by our Company values, code of ethics and applicable statutes/regulations/guidelines.

The Company is cognizant that non compliance has the potential of financial losses, fines or diminished reputational capital. We therefore continuously monitor our progress in managing compliance risks and ensure strict adherence to our internal and external compliance requirements.

Effective management of risks inherent in our business and in our operating environments, and ensuring that our market conduct reflects the highest standards of ethical and responsible business practice, underpin the trust our interested parties place in us.

# OUR APPROACH TO RISK MANAGEMENT

We Operate a Three Lines of Defense (“3LoD”) Model



The 1<sup>st</sup> Line of Defense are all the business functions who are the "owners" of the risks.

The 2<sup>nd</sup> Line of Defense are all the independent risk and control functions.

The 3<sup>rd</sup> Line of Defense is Internal Audit, which assures the effectiveness of our controls.

1 <sup>st</sup> Line of Defense	
The Board	General Support Functions
Business Units	ICT
Technical Support Functions	HR & Administration
Finance	Marketing & Communications
Underwriting	Growth & Innovation Centre
Claims	Strategy & Innovation
Reinsurance	Research & Development

2 <sup>nd</sup> Line of Defense
Risk Management Committees
Risk Management Function
Actuarial Function
Legal and Compliance Function

3 <sup>rd</sup> Line of Defense
Internal Audit

# RISK APPETITE PROCESS AND SETTING

Policyholders, the shareholders and the regulators interests must all be protected at all times.

We have established and implemented a risk management framework as well as policies and procedures for managing risks within the Company. This framework is based on the ISO 31000 Enterprise Risk Management model. Key elements of this framework include; identification, measurement, analysis and risk reporting.

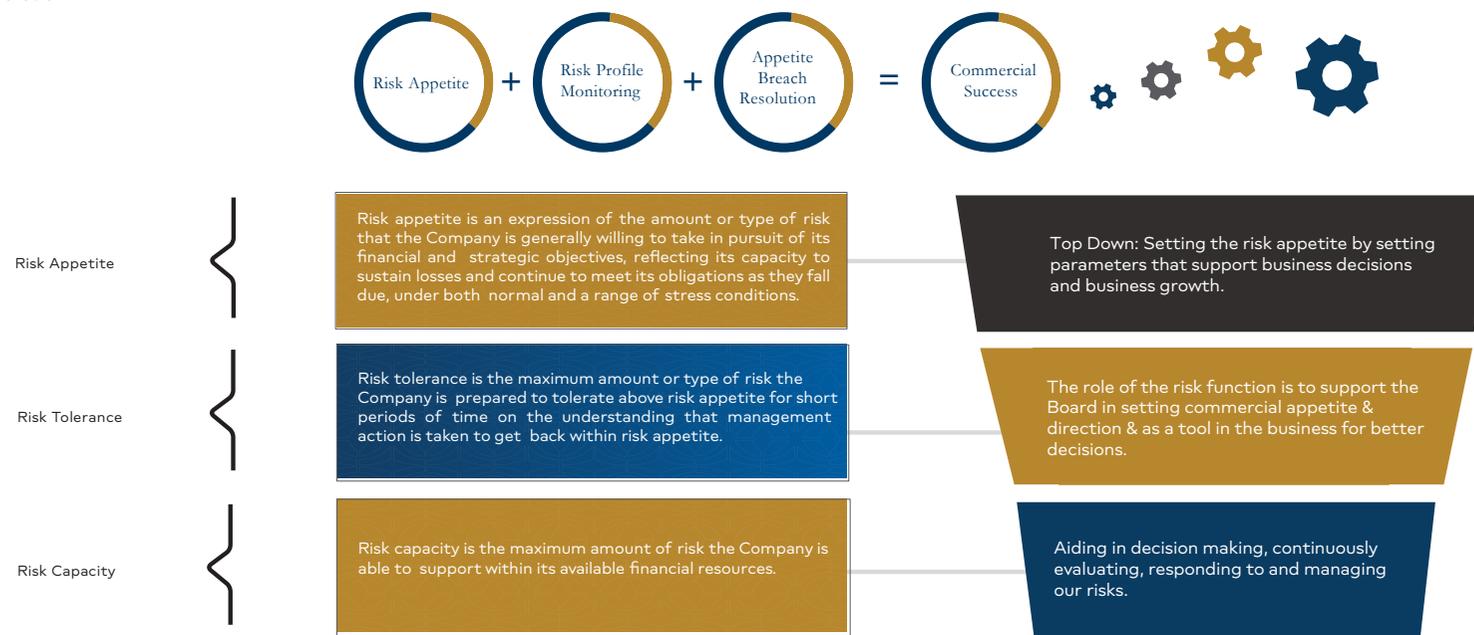
We have put in place a strong integrated risk management process in our daily business activities, as well as strong corporate governance structures that promote effective identification, monitoring and management of risk.

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

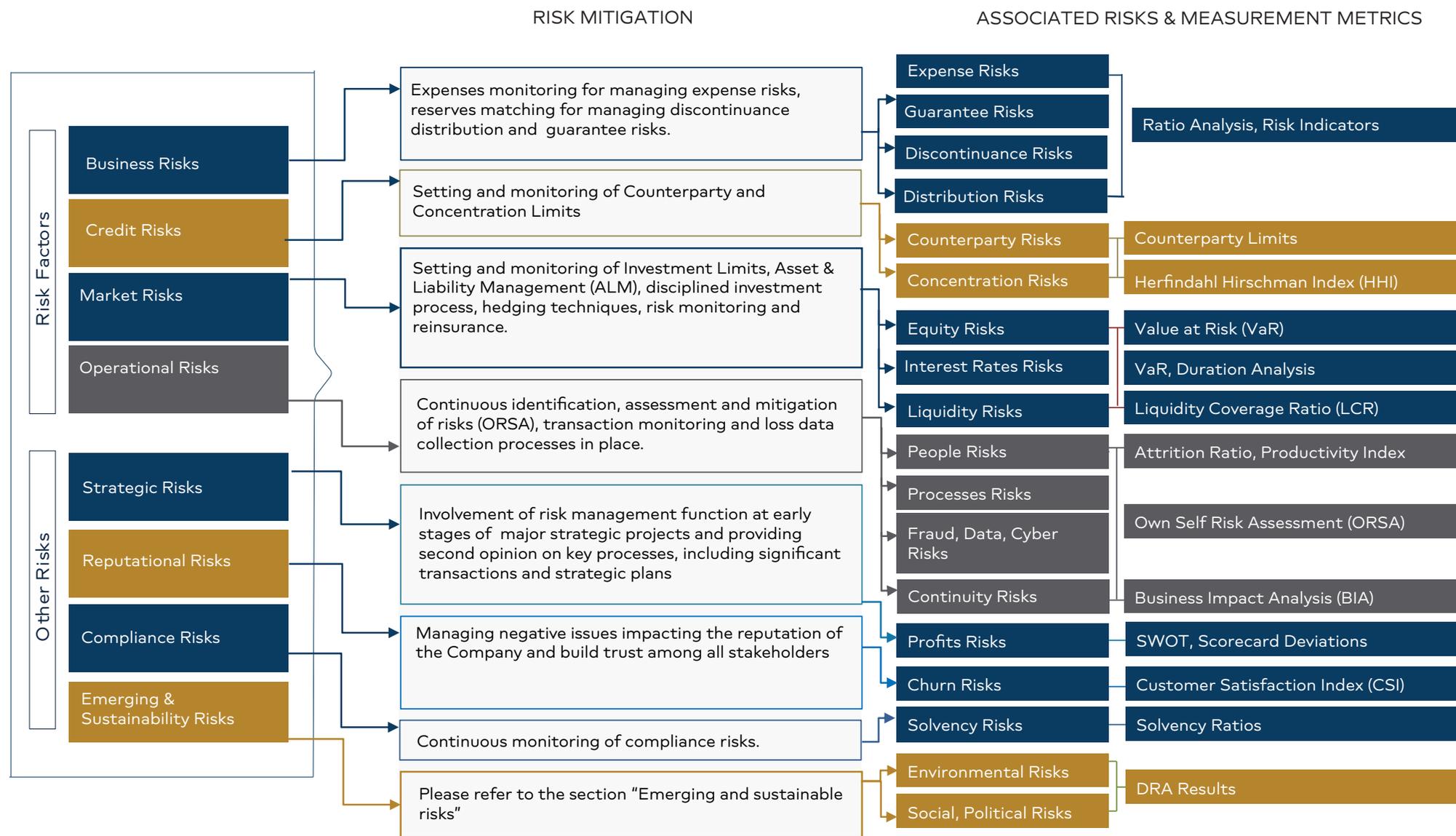
Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. Specific key risks are also measured individually against pre-defined risk tolerance levels. We have implemented well developed and documented internal procedures, clearly defined reporting lines and well-structured regular training programs for staff.

The latter is intended to enable staff attain a clear appreciation of the nature of business risk; the likely consequences of not giving adequate attention to, or failure to properly manage risk; and of the universally accepted and internally prescribed techniques of effectively managing risk.

Integration of risk management has been a journey that has led to continuous improvement, the latest of which is the introduction of the Dynamic Risk Assessment approach.



# RISK FACTORS AND MEASUREMENT



## RISK FACTORS AND MEASUREMENT



### BUSINESS RISKS

**Business risks** include cost risks and policyholder behavior risks.

**a) Cost risks** are associated with the risk that expenses incurred in administering policies are higher than expected or that new business volume decreases to a level that does not allow the Company to absorb its fixed costs

**b) Policyholder behavior risks** are risks related to the unpredictable, adverse behavior of policyholders in exercising their contractual options, for instance, early termination of contracts, surrenders, partial withdrawals, renewals, and annuity take-up options.

Assumptions on policyholder behavior are set in line with accepted actuarial methods and based on own historical data, where available. If there is no historical data, assumptions are based on industry data or expert judgment. It is used as a basis to determine the economic impact of policyholder behavior under different scenarios within our internal models.

In addition, the Company continuously monitors cost and behavior risks against the approved key business risk indicators.



### CREDIT RISKS

Credit risk is defined as the risk that a third party in a transaction will default on its commitments.

Given the nature of its core business activities, the Company monitors counterparty and associated concentration risks arising from investment portfolios held by the Company's insurance operations, and exposures on third party obligors stemming from the investments such as banks, and investment brokers.

Additionally, the exposure to credit risk is covered by statutory solvency Capital Requirement metric.



### MARKET RISKS

**Market risks** may arise as a result of market movements, which may expose the Company to fluctuations in the value of its assets, the amounts of its liabilities, or the income from its assets.

The main market risks to which the Company is exposed are the following:

Interest-rate risk, spread risk and equity risk related to the operating activities of the Company;

Exchange-rate risk related to the Company's operating activities; and

Risks related to the management of exposure to foreign currency exchange rate fluctuations.

A wide variety of Risk Management techniques are used to control and mitigate the market risks to which the Company is exposed. These techniques include;

- Setting and monitoring of functional limits on market risks.
- Asset & Liability Management (ALM), i.e. defining an optimal strategic asset allocation with respect to the liabilities' structure in order to reduce the risk to a desired level
- A disciplined investment process thorough analysis by the Investment arm, and a second opinion by Risk Management



### OPERATIONAL RISKS

**Operational risks** that may arise from a failure in its organization, systems, processes and resources or from external events.

# RISK FACTORS AND MEASUREMENT



## OPERATIONAL RISKS

Operational risk includes legal risks and excludes risks arising from strategic decisions, as well as reputation risks.

The Company's operational risk framework provides for the setting out of a common system, dedicated risk champions and a common operational risk typology classifying operational risks into seven risk categories: internal fraud; external fraud; employment practices and workplace safety; clients products and business practices; damages to physical assets; business disruption; system failures and execution, as well as delivery and process management. Its implementation is not limited to insurance activities.

The risk framework embeds governance through senior management validation to ensure that the risk assessment is not only adequate, appropriate and comprehensive but also to ensure that for the identifiable risks, adequate corrective and effective mitigation actions are defined and implemented.

We have also integrated fraud risk management within the enterprise risk management activities.

We commit to the highest possible standards of openness, probity and accountability in all our affairs.

In light of this, we are determined to maintain a culture of honesty and zero tolerance to fraud and corruption. A board-approved fraud management policy is in place and it defines processes in relation to reporting and managing fraud and corruption.

Key elements of this fraud management system includes:

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

In addition, an incident collection and management process is in place in order to track and appropriately mitigate actual operational risk losses.

This process is also used as a valuable source of information to back-test the assumptions and controls taken in risk assessments.

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



## STRATEGIC RISKS

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

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



## REPUTATIONAL RISKS

This is the risk of damage to the Company's image which may impair our ability to retain and transact general business due to loss of trust and confidence or a breakdown in business relationships. We have no appetite for reputation risk.

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

# EMERGING AND SUSTAINABILITY RISKS



Climate Change



Artificial Intelligence and Big Data



Terrorism and Threats To National Security



Social and Demographic Changes



Cyber Risks



Natural Resources and Environmental Management



## EMERGING AND SUSTAINABILITY RISKS

The Company has identified 6 key emerging risks that may affect how we do business but at the same time introduce new opportunities to us. These are climate change, artificial intelligence (AI) and big data, terrorism and threats to national security, social and demographic changes, cyber risks, and natural resources and environmental management.

### 1. CLIMATE CHANGE

There are various initiatives at the international levels with respect to climate change and sustainable finance, that continue to propose reforms to and make potential changes to investment activities, disclosure requirements, among others. Emerging requirements include the inclusion of environmental, social and governance considerations into insurance and asset management products, stress testing against climate change related risks as recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), among others.

Closer home, the Central Bank of Kenya (CBK) has recently published guidance on climate-related risk management requiring banks to submit Board-approved Environmental Social and Governance (ESG) and Climate Change implementation plans. CBK's roadmap indicates that by 2023, it will require banks to incorporate the TCFD recommendations in their reporting and disclosures. The Nairobi Stock Exchange (NSE) has also released an ESG Disclosures manual for listed companies which is meant to assist companies better embed ESG considerations into their strategies and operations and ultimately report ESG performance to stakeholders using a framework that meets international standards on ESG reporting. The Capital Markets Authority

(CMA) issued the Green Bond Guidelines which aims to give guidance to issuers in the capital markets as Kenya works towards developing a domestic green bond market. The Retirements Benefits Authority (RBA) on the other hand has joined the Nature Related Financial Disclosures (NRFDD) Task Force. The IRA has begun to pay attention to ESG and climate change and will in future require insurers to promote action on sustainability and provide disclosures on ESG. These regulators are currently developing policies and regulations on ESG with the support of development partners. The increased activity generally represent regulatory and policy starting points which point to increased focus and attention within the financial services sector.

As an institution, we have taken a proactive approach and in the year 2021 joined the UN-convened Net Zero Insurance Alliance (NZIA). We have also been members to the TCFD insurer pilot group as well as UNEP FI's Principles of Sustainable Insurance (PSI). We have established a clear sustainability process and strategy that guides our approach towards managing ESG risks and exploring opportunities that may arise.

We also birthed the Nairobi Declaration on Sustainable Insurance during the 4th PSI Market event that we hosted in April 2021. This Declaration is a statement of commitment by African insurance industry leaders to support the achievement of the UN Sustainable Development Goals (SDGs). The Declaration currently has 15 signatories since its launch and we are aiming for 50 signatories by the time COP27 is held in Egypt in 2022. Looking to the future, we intend to commit to the Principles of Responsible Investments (PRI).

## 2. AI AND BIG DATA

We recognize the profound impact disruptive technologies have had on our business in the last decade and the likelihood for more disruption in the years to come. These include the Internet of Things (IoT), block chain, augmented reality, artificial intelligence, cloud processing, robotics and the growth of mobile technology. Availability of customer data, combined with technological capabilities of processing data quickly provides new opportunities in terms of customer segmentation and pricing.

New technology is crucial in terms of opening up new markets, spurring growth of the insurance industry as well as the ancillary businesses that grow around them. It however creates potential risks such as cyber risks which challenges institutions' traditional risk management models.

In response to this, we continue to leverage on cutting-edge technologies for the management and analysis of data. We have dedicated significant attention and resources on developing our digital infrastructure through our digital transformation agenda.

Our data analytics strategy, spearheaded by our Head of Data Analytics, evaluates the unique business challenges in our organization, matches those challenges with relevant data and resources and establishes processes that grow capabilities and institutionalize analytics to ensure key decision-makers have access to actionable results. Our strategy has also incorporated an agile governance that brings together all stakeholders involved in the development of digital solutions.

## 3. TERRORISM AND THREATS TO NATIONAL SECURITY

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

The risk of terror attacks still remains high within this region. We have a special taskforce made up of senior executives who provide oversight to security and terror related risks. This taskforce meets with a Security Risk Consultant every quarter to review the security strategies that have been deployed. We also have a Security Risk Management Strategy that takes into account relevant security management and operating procedures which are monitored on a regular basis.

## 4. SOCIAL AND DEMOGRAPHIC CHANGES

The variant mutations of the COVID 19 virus has increasingly resulted in social and demographic changes globally as authorities continue to impose measures that have over the past two years significantly reduced economic activity. These effects will continue to cause serious challenges related to education, economic prospects and mental health of the current and future society.

In recognition of this, we continuously monitor these changes as we develop and improve on products that are more accessible and flexible to accommodate unique customer needs.

Noting that we have a significantly youthful population, we seek to offer dynamic and digital solutions that can address the needs of this demographic, specific needs. We are continuously reviewing our product positioning with an aim of providing solutions that will fit the needs of this generation.

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

## 5. CYBER RISKS

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

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





**ICEA LION**  
LIFE ASSURANCE

OUR VALUE  
CREATION

---

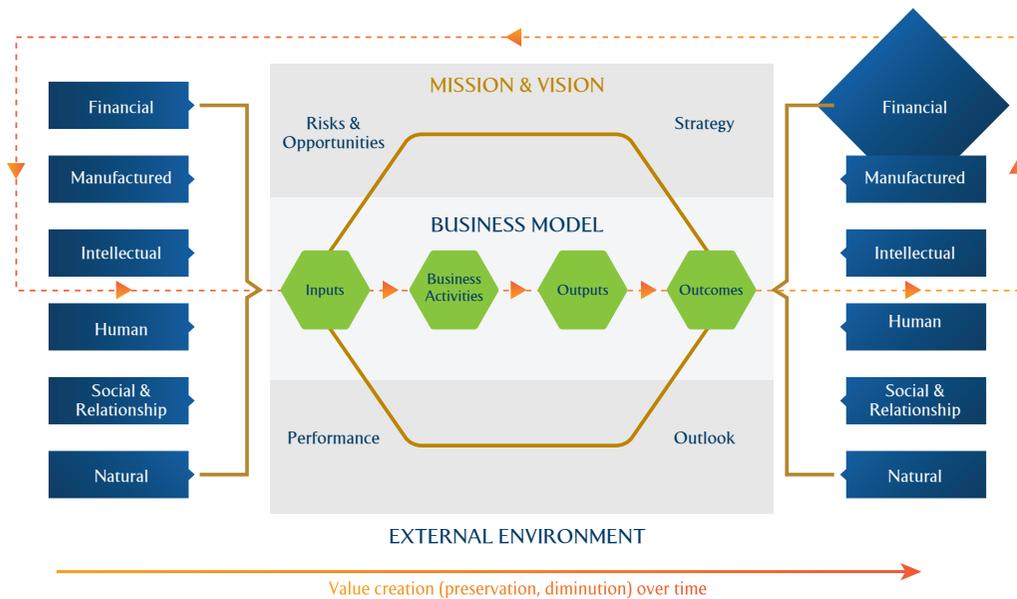
05

## OUR APPROACH: THE 6 CAPITALS MODEL

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

### MAINTAINING OUR CAPITALS TO CREATE VALUE IN THE FUTURE

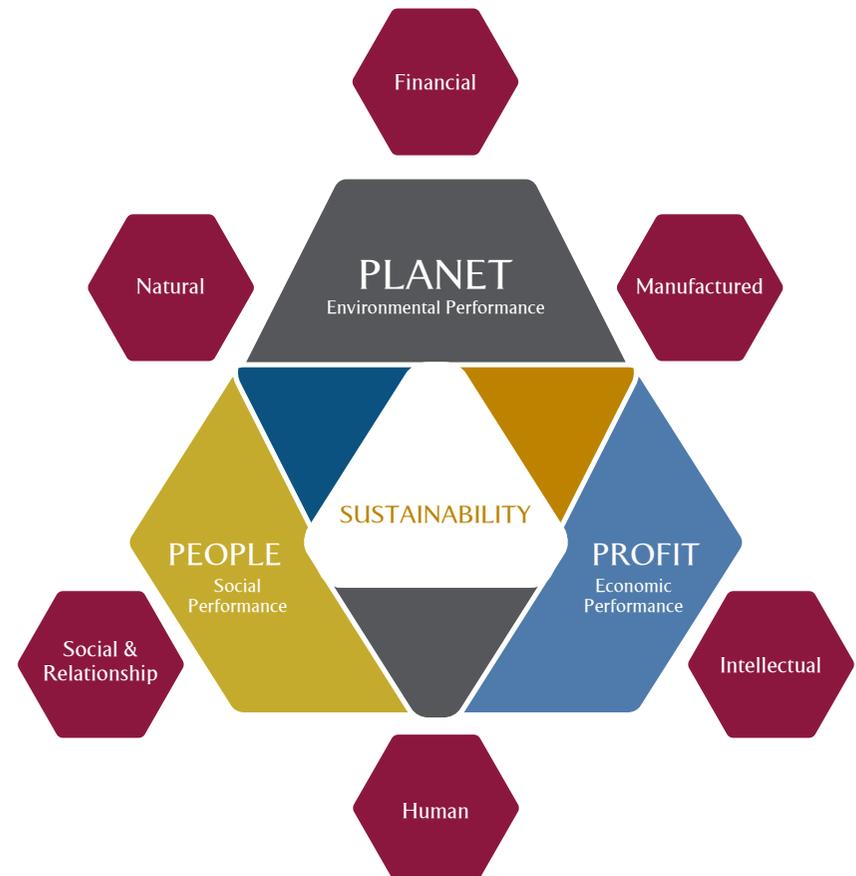
Capitals represent stores of value that can be built up, transformed or run down over time in the production of goods or services. Their availability, quality and affordability can affect the Group's long-term viability. The following capitals are inputs to our business model.



### EMBRACING THE 6 CAPITALS MODEL & THE TRIPLE BOTTOM LINE

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

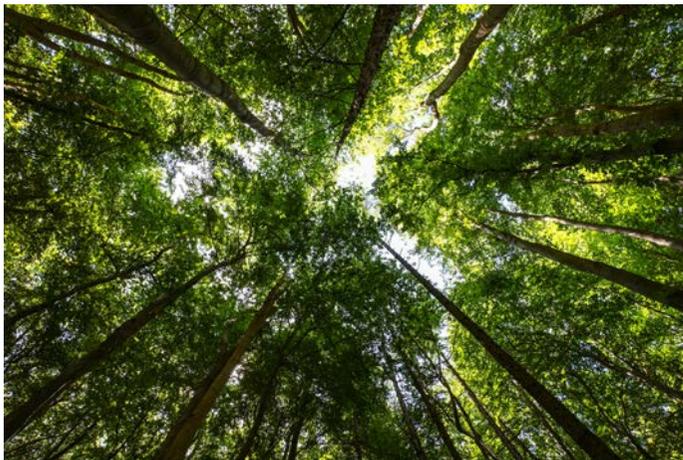
More recently, we have adopted the 6 Capitals Model approach on integrated reporting proposed by the IIRC. The diagram below shows how the 6 Capitals relate to the Triple Bottom Line approach that we have used in the past.



## ENSURING OUR SUSTAINABILITY BY EMBRACING THE SHARED VALUE APPROACH

Our commitment to the shared value approach highlights our desire to spearhead and propagate opportunities for future generations. We are committed to embedding the principles of integrated thinking in our business. For us to be accountable to our stakeholders, we have to be understood. In light of this, integrated reporting allows us to communicate our commitment towards this end, our dreams and aspirations in creating a better future, and where we are on this journey.

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



### 5. Our Financial Capital

This is composed of financial resources or the pool of funds available to us for use in the provision of insurance services as well as the value we create in the economies in which we operate.



### 6. Our Manufactured Capital

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



### 4. Our Intellectual Capital

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



### 1. Our Human Capital

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



### 3. Our Social and Relationship Capital

These include our institutions and the relationships established within and between each community, group of stakeholders and other networks including the ability to share information and enhance individual and collective well-being. Shared norms, common values and behaviors, key relationships, and the trust and willingness to engage that we have developed over time as we strive to create and protect wealth for our stakeholders are also included here. Our social license to operate, community related aspects including: corruption; anti-competitive behavior; customer health, safety and privacy; human rights such as non-discrimination, freedom of association, among others are also included here.



### 2. Our Natural Capital

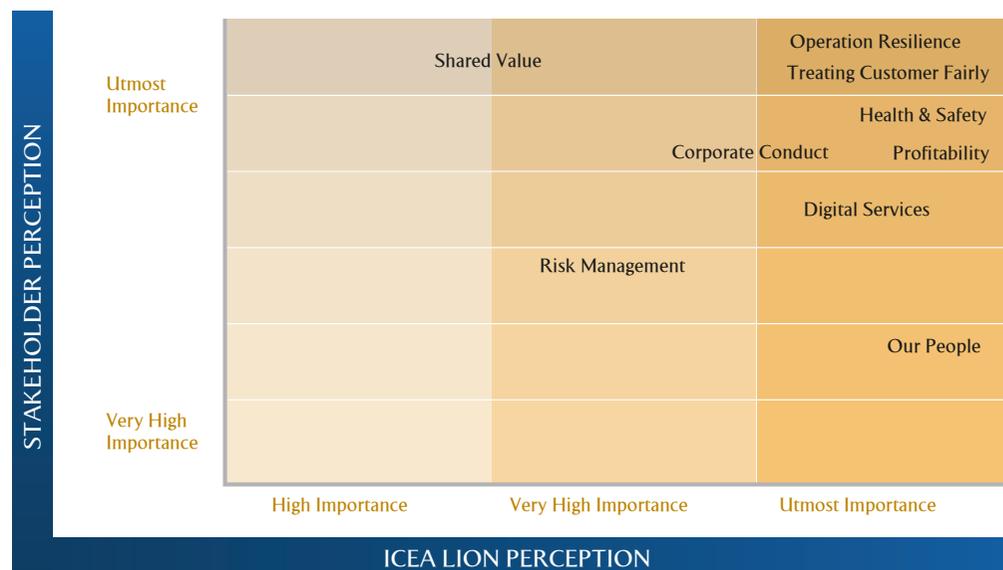
These include all renewable and non-renewable environmental materials that we utilise in order to deliver the financial products and services that support our current and future prosperity. Other related aspects include biodiversity and ecosystem health, carbon emissions, effluents and waste. As a financial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

# MATERIALITY ASSESSMENT

## OUR MATERIAL ISSUES

Material issues are these matters that may impact the Group’s ability to achieve its strategy, remain commercially viable or environmentally and socially relevant. They may also substantively influence the assessment and decisions of our stakeholders for example our shareholders, customers, suppliers and staff.

A scale has been used to rate the importance of these material issues as well as the degree of stakeholder perception and the Group’s perception. We have tested these material issues against the Global Reporting Initiative (GRI) standard.



Corporate Conduct	Shared Value	Treating Customers Fairly	Profitability	Digital Transformation	Our People	Operational Efficiency	Risk Management	Health & Safety
<ul style="list-style-type: none"> <li>• Integrity</li> <li>• Ethics</li> <li>• Core Values</li> <li>• Governance</li> <li>• Consistency</li> <li>• Trust</li> <li>• Compliance</li> <li>• Stakeholder engagement</li> <li>• Transparency</li> <li>• Confidentiality</li> <li>• Professionalism</li> <li>• Brand</li> <li>• Philosophy</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusivity</li> <li>• Diversity</li> <li>• Sustainable Practices</li> <li>• Local Procurement</li> <li>• Financial inclusion</li> <li>• Non-discrimination</li> </ul>	<ul style="list-style-type: none"> <li>• Culture</li> <li>• Trust</li> <li>• Innovation</li> <li>• Agility</li> <li>• Flexibility</li> <li>• Brand Promise</li> <li>• Data Protection</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholder Value</li> <li>• Sustainable Growth</li> </ul>	<ul style="list-style-type: none"> <li>• Ease of transacting</li> <li>• Engagement &amp; Communication</li> <li>• One stop financial services shop</li> </ul>	<ul style="list-style-type: none"> <li>• Retention</li> <li>• Skills-matching</li> <li>• Culture</li> <li>• Succession</li> <li>• Training</li> <li>• Placement– Matching</li> <li>• Remuneration</li> <li>• Promotion</li> <li>• Disability Consideration</li> <li>• Employee Engagement</li> <li>• Competence</li> <li>• Rewards</li> </ul>	<ul style="list-style-type: none"> <li>• Continuity &amp; Availability of Services</li> <li>• Accuracy of transactions</li> <li>• Turn-around time</li> <li>• Reliability</li> <li>• Convenience</li> <li>• Automation</li> </ul>	<ul style="list-style-type: none"> <li>• Resilience</li> <li>• Succession Strategy</li> <li>• Prudence</li> <li>• Compliance</li> <li>• Diversification</li> <li>• Audit results</li> <li>• Credit Rating results</li> <li>• Regulator Inspection Results</li> <li>• Standard Operating Procedures\Policies Monitoring</li> <li>• Due diligence</li> </ul>	<ul style="list-style-type: none"> <li>• COVID 19 protection</li> <li>• Mental health</li> <li>• Fitness &amp; Wellbeing</li> <li>• Occupational Health &amp; Safety Compliance</li> </ul>

# 1. HUMAN CAPITAL

ICEA LION Group takes pride in its employees who are its most valuable asset. The Group invests in the continuous development of the Human Capital for holistic growth.

The year under review was challenging due to the COVID-19 pandemic, however, our human capital remained resilient, agile and responsive to the needs of our stakeholders. Kudos to our employees for their commitment in providing the best experience to our customers during a tough period.

## EMPLOYEES WELLBEING – HEALTH AND SAFETY OF OUR PEOPLE

The Group continued with the onsite and offsite work arrangement to ensure business continuity and to avoid service disruption. Consequently, the majority of our employees were enabled to work from home through effective remote connectivity while those working from the office were provided with private transport services to ensure their safety.

The Group provided ongoing staff support through provision of relevant seminars related to issues such as mental, emotional and financial well-being. Staff were also provided with counselling services and home based care when necessary. We continued to regularly sensitize our staff on safety protocols and in September 2021 we participated in the Kenya Private Sector Alliance (KEPSA) initiative to vaccinate staff and their dependents. During the year, one of our staff members in our Ugandan subsidiaries succumbed to COVID-19 related complications.



The Late Fred Mboma  
Business Development Manager  
ICEA LION Life Assurance Uganda

Recognizing that COVID 19 may be around for a while, the Group has developed a hybrid work model for implementation in 2022 focussed on staff safety and well-being while maintaining high levels of productivity.

In light of increasing security risks, we continue to collaborate with security intelligence experts to ensure our premises are secure and that we have access to reliable, real-time information on the security situation across the country.

We have a dedicated Crisis Management Team (CMT) that is responsible for continuously monitoring developments related to the pandemic monitoring, planning appropriate responses and overseeing implementation of required initiatives. The CMT is also accountable for the security management processes and procedures that we have adopted.

## IMPROVED STAFF BENEFITS

In line with our values, we have continuously demonstrated that our people are important to us. In this regard, we enhanced limits for the staff medical cover and also provided an extra benefit to enable staff and their dependents to access world class Medical Second Opinions (MSO) for conditions that they have been diagnosed with. The MSO benefit is provided to ensure staff and dependants obtain correct proper diagnosis of their conditions before commencement of treatment. This minimizes risks of misdiagnosis and also ensures effective utilization of their medical cover limits.

## EMPLOYEES ENGAGEMENT

The Group has identified various opportunities and channels to connect, listen and speak to employees aimed towards promoting a positive culture, encouraging healthy interpersonal relations and towards the creation of a healthy work environment.

Employees were engaged through regular town hall sessions, virtual meetings, focus groups and through provision of expert led health care talks. Employees were also engaged through their participation in various projects requiring inter functional teams. In addition to these, two Group wide day long team building sessions were held to promote inter personal bonding and enhancement of the One Team One Group concept we strive for.

The Group entered a team for the OESAI Regional Quiz Competition organized by Ghana Re where we emerged 2<sup>nd</sup> from an overall entry/participation of 114 teams.

In our ongoing effort to promote a culture of excellence in behaviour and performance, we continued to implement various reward and recognition programs.

The flagship program is the annual Simba Excellence Awards where staff that excelled in various award categories were awarded their prizes during the annual Christmas end of year event.

## **STAFF CAPACITY BUILDING**

We continue to empower our employees. Through the eLearning platform and in line with our strategic focus, the Group identified and implemented Agility, Customer Centricity, Personal Effectiveness and Anti-Money Laundering and Counter Terrorism Financing as priority courses for all staff during the year.

Apart from initiatives targeted at all staff, we also had initiatives targeted at specific categories of staff such as leaders and millennials in the workplace.

A series of seminars referred to as The Simba Leadership Development program were designed and targeted at staff with leadership roles. The main focus of this program was to raise the awareness of our leaders so that they could effectively promote the desired trust and transparency culture required for effective staff engagement.

Recognizing the unique characteristics of millennials in the work place, we organized specific engagement sessions for this category of staff to promote their decision making and leadership capabilities.

In addition to these, we also focussed on enhancing the capacity of our staff to engage with and utilize data for effective decision making. In house classes on Data Analytics were conducted for various staff members.

One of our staff qualified for the prestigious Fellow of the Institute of Actuaries- UK during the year while several staff progressed in their pursuit of various professional qualifications.

We also purposefully continued to develop our staff who were approaching retirement age as we develop others to take over in line with our succession plans.

## **AFRICA LEARNING HEALTH INDEX**

ICEA LION participated in the Africa Learning Health Index Survey to assess how our learning and development practice compares to the rest of the industry in Africa. The Learning Health index has eight distinct dimensions of learning key to a healthy learning organization. The survey provided a baseline on the index that will help the business improve and progress learning practices going forward.

## **STAFF COACHING PROGRAM**

The second cohort of the Certified Engagement and Productivity Coaches (CEPC) graduated on 21st May 2021 with the Global Coaching Diploma. The coaches conducted a coaching marathon and staff sensitization session in May 2021 to celebrate their achievement.

In total 75 employees have benefited from the coaching program and some of them have shared their transformation testimonials which have demonstrated the success of coaching as an effective tool for personal transformation.

## **PERFORMANCE MANAGEMENT**

During the year, the Group reviewed the performance management system and designed improvements to promote a focus on outcomes as opposed to a focus on activities. The review and improvements was aimed at promoting the development of a high performance culture in the Group.

## **REORGANIZATION OF THE SHARED SERVICE AND ESTABLISHMENT OF THE GROUP STRUCTURE**

Based on the need to facilitate attainment of Group objectives through clear accountabilities and proper coordination of all activities, a new Group structure was designed and implemented. The structure created the Group Coordination and Support function working closely with the Group CEO and it includes functions such as Data Analytics, Research and Partnerships and the Contact Centre.

Group Technology and Transformation was formed to house four critical functions; Digital, Business applications, Group infrastructure, Projects and Digital Customer Experience.

Other functions in the structure include: Group Audit, Finance, Risk and Compliance, People and Culture and Marketing and Communications. The new structure was designed to ensure effective support to operating business, effective strategy implementation and to unlock group synergies through effective coordination and support.

OUR CERTIFIED  
ICEA LION  
GROUP  
COACHES



GEORGE  
NYAKUNDI



PETER  
WACHIRA



NKATHA  
GITONGA



ANDREW  
MUTURI



EVELYNE  
MUSUNZAR



RADCLIFFE  
NYAMAI



ELIZABETH  
IRUNGU



KEVIN  
NYAKERI



ZIPPORAH  
CHEGE



CAROL  
MAINA



MARYLEEN  
THOME



DAVID  
TOO



EINSTEIN  
KIHANDA



DOROTHY  
MASEKE



ENID  
OTIENO



LYDIA  
MWIRIGI



ANNE  
NJUGI  
(UGANDA)



PATIENCE  
ARINAITWE  
(UGANDA)



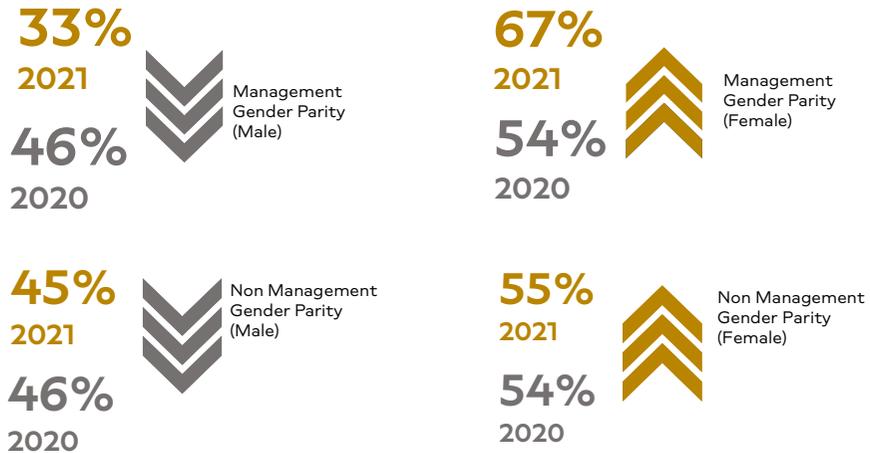
PATRICIA  
KIHARA



BARACK  
OBATSA

# HUMAN RESOURCE DATA

## Gender Distribution



## New Hires



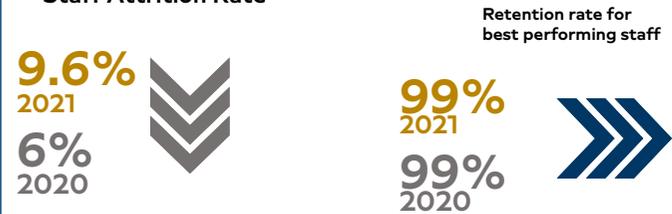
## New Hires by Age



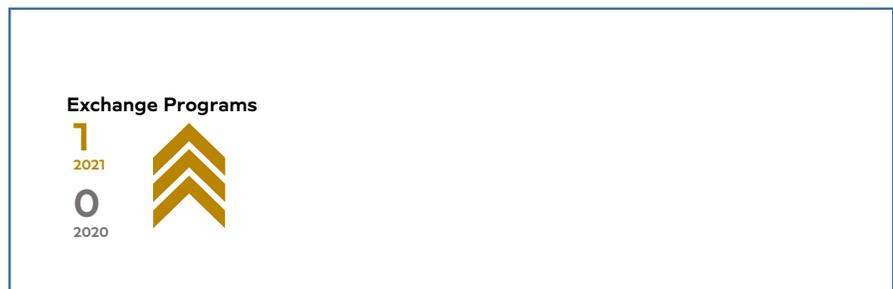
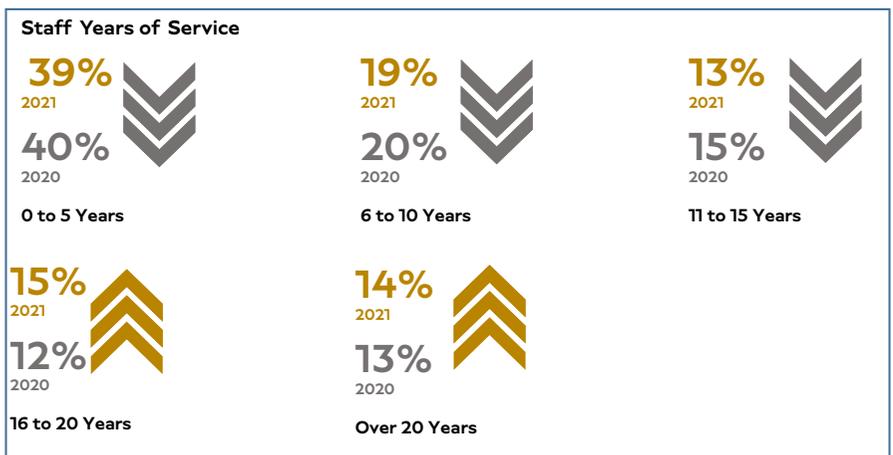
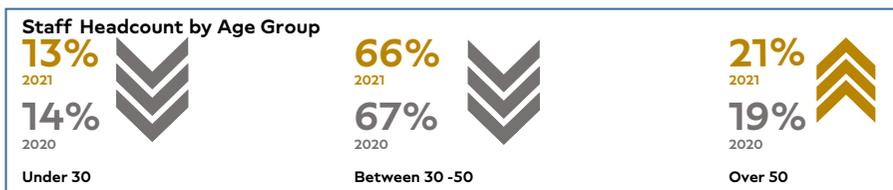
## Staff Separation



## Staff Attrition Rate



# HUMAN RESOURCE DATA





## 2. INTELLECTUAL CAPITAL

### MEDICAL SECOND OPINION (MSO)

#### OUR NEWEST PRODUCT SUPPORTS THE PRINCIPLES OF SUSTAINABLE INSURANCE

MSO is a first in market in East Africa and brings the world of medical experts to the average citizen of East Africa at an extremely affordable price. This product is available as a rider on many insurance products offered by the ICEA LION Group Companies (including life and health).

Once a client has been diagnosed with a chronic condition, the product allows them to seek a second medical opinion from a panel of experts from World Leading Medical Centres (WLMC) who specialize in the diagnosed condition. It allows them to obtain clarity on the right diagnosis and treatment options available for the diagnosis. Should there be tests without a diagnosis, this product would help them narrow down the diagnosis and treatment options.

Our product is available at an affordable rate (from a low as \$7 to \$23 or Kshs 823 to Kshs 2,543 annually as a rider within our products) and covers the member, spouse(s), children, member parents and spouse(s) parents. It enables world-class diagnosis for all, including clients wherever they are located.

We developed this product as a direct need to address the following sustainability challenges:

- Increasing rate of chronic conditions in developing countries as highlighted by the WHO
- High cost of medical care in treating these conditions especially chronic conditions leading to long term illnesses
- Demand for greater transparency on costs and medical care options that are available for those in need
- Greater demand by regulators and policy makers to ensure that customers are treated fairly
- The risk of unscrupulous medical providers who may over diagnose or attempt to over-treat diseases in a bid to increase their revenues

The opportunities in place include the availability of telemedicine as well as increased collaboration and co-working among medical specialists from different parts of the world. This means that while patients have the ability to access top-of-the range specialists from different parts of the world, the costs involved are too high prohibiting many from seeking this support.

Our product resolves these challenges by enabling our clients to access specialist diagnosis and second opinions at the touch of a button and at an extremely affordable cost.

#### MSO LINKAGE TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The MSO supports the following Sustainable Development Goals:

##### **GOAL 3: Good Health and Well-being**

The MSO strengthens the capacity of East African countries in the management and mitigation of national health risks in light of the rising cases of chronic diseases among developing countries.

##### **GOAL 10: Reduced Inequality**

The MSO enables equal opportunity and reduces inequalities of outcome by making access to world-class medical opinions available to all. It achieves the sustainability targets of affordability, access and distribution.

ICEA LION's MSO product is an equaliser – world-class medical diagnosis and treatment options for all.

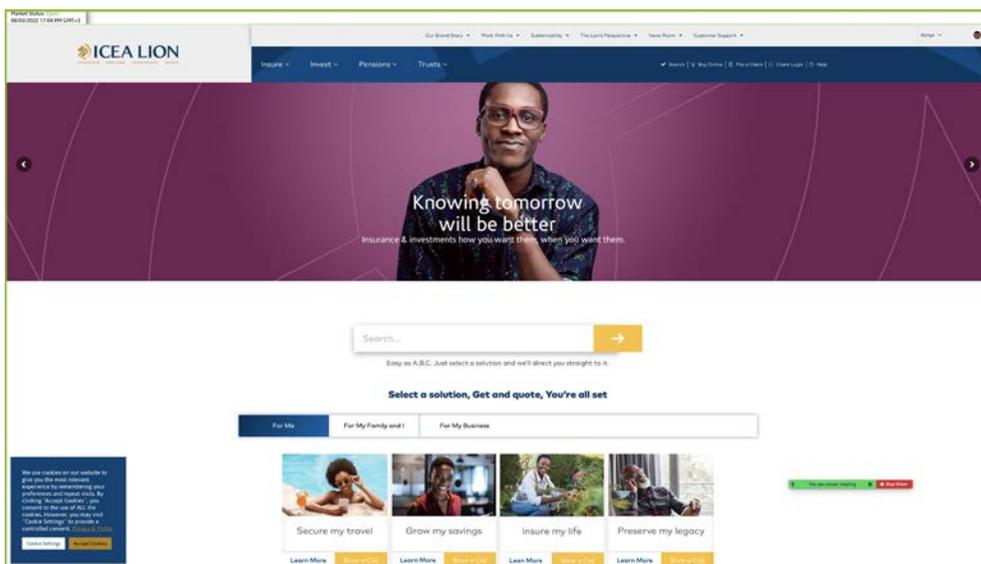
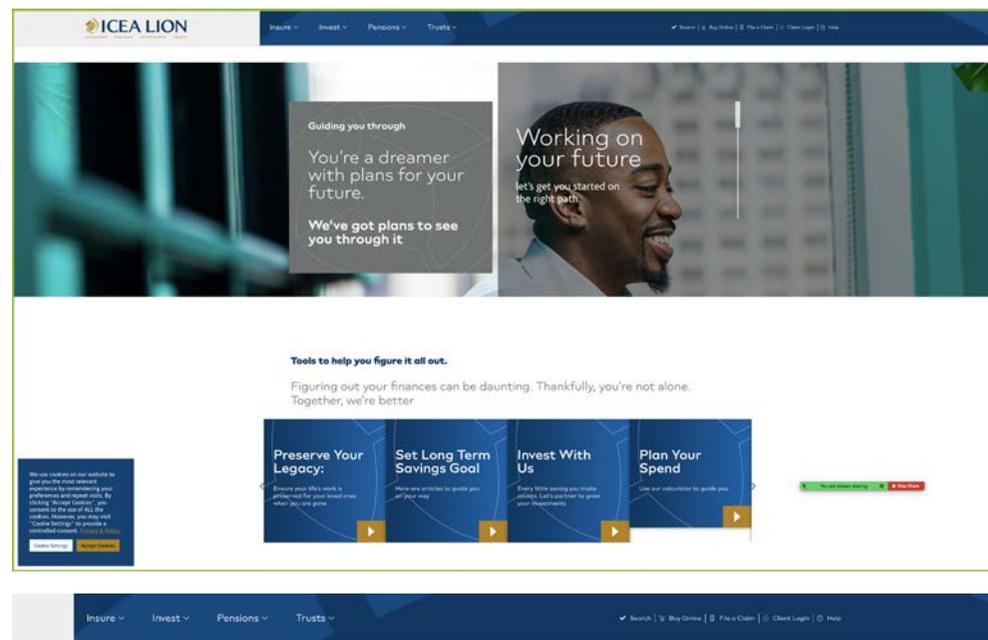


For more information, please visit <https://mediguide.com/ke/icealion/>

## SNAPSHOTS OF OUR NEWLY REVAMPED E-COMMERCE ENABLED WEBSITE

We launched our revamped website in March 2021. The new site is e-commerce enabled and is premised on providing palatable content to our potential and existing clients who seek information about insurance, pensions, investments and trusts. The website also showcases the brand's revamped look and feel with vibrant and expanded brand colours that had been tested against internal and external audiences across East Africa to gauge its appeal. The website was also rolled out to our subsidiaries in Uganda and Tanzania in the course of the year.

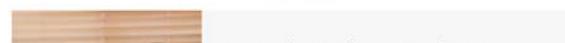
Below are illustrations of the same.



### What Are the Features of ICEA LION's Personal Retirement Scheme?

<p><b>Your Contributions Belong To You</b></p> <p>The contributions to your Personal Retirement Scheme remain yours whether they are self-funded or employer-funded, even if you change your job or are no longer in employment for any reason.</p>	<p><b>Affordability</b></p> <p>From as low as KES 1,000 per month, you can set up your Personal Retirement Scheme or pension plan.</p>	<p><b>Tax-Exempt Single Lump-Sum Transfers Between Schemes</b></p> <p>You can make such a transfer from other registered funds to ICEA LION's Personal Retirement Scheme tax free.</p>
<p><b>Growth of Your Contributions</b></p> <p>The contributions you make are invested in various financial instruments with a minimum guaranteed interest of 4% per annum. This interest is earned on a daily basis and ensures that small, regular contributions grow into significant retirement savings over time.</p>	<p><b>Flexibility</b></p> <p>You can make your contributions monthly, quarterly, half-yearly or annually depending on your plans. You may change the frequency and amount of contribution at any time so long as it is not less than KES 1,000 per month. You can make contributions through salary deductions, M-Pesa payments or direct debits with your financial institution.</p>	<p><b>Tax Benefits</b></p> <p>Pensions are also governed by the Income Tax Act (Cap 470) and valuable tax advantages are provided for in the act. Subject to certain limits, your contributions, investment growth and benefits will all be tax-free. Any contribution exceeding the tax-exemption limit is invested separately, in a taxable fund.</p>
<p><b>Mortgage Security</b></p> <p>60% of your accumulated pension savings can be used as additional security by a lender for your mortgage.</p>	<p>For more information about our ICEA LION's Personal Retirement Scheme, visit our knowledge base</p> <p><a href="#">Learn More</a></p>	

### What Else Do I Need to Know About ICEA LION's Personal Retirement Scheme?



### 3. SOCIAL & RELATIONSHIP CAPITAL

#### COLLABORATION ON THE NAIROBI DECLARATION ON SUSTAINABLE INSURANCE

Together with the UNEP-FI, ICEA LION co-developed a statement of commitment for sustainable insurance linked to the United Nations Sustainable Development Goals (SDG). This commitment dubbed “The Nairobi Declaration on Sustainable Insurance” aims to promote collaboration among all like minded stakeholders to promote the goal of sustainable and inclusive development through our business practices. We have rallied our peers within the insurance industry in Africa and currently have 15 signatories to this Declaration. We have mobilized support and resources since the Declaration was launched and FSD Africa is now supporting it with an aim of getting at least 50 signatories by the time COP 27 is held in Egypt in November 2022.



THE NAIROBI DECLARATION ON SUSTAINABLE INSURANCE

[www.sustainableinsurancedeclaration.org](http://www.sustainableinsurancedeclaration.org)

#### THE SPIRIT BEHIND THE DECLARATION

As risk managers, insurers and investors, we recognize that the African insurance industry has a key role to play in promoting economic, social and environmental sustainability—in other words, sustainable development—including ensuring a sustainable recovery from the COVID-19 pandemic.

We further recognize that while progress is being made in many places, most of the progress is done in a disjointed manner and therefore the action to meet the SDGs is not yet advancing at the speed or scale required. There is therefore a need to accelerate solutions as we embark on the UN’s Decade of Action to deliver the SDGs by 2030.

This Declaration addresses the challenge in Africa and aims to:

- Create an increased awareness of the sustainability challenge
- Encourage and challenge ourselves as insurers to put the words into real action by developing products and solutions to address the sustainability challenge
- Collectively push our regulators and policy makers to enact policies that will not only lead to an even playing field but also incentivize the insurance industry in pursuing responsible business

Signatories to the Declaration make the following 5 commitments:

 <p><b>Risk Management</b></p>	<p>Advance the assessment, management and disclosure of climate change-related risks and opportunities, building on the PSI’s project to pilot the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD)</p> <p>Advance the assessment, management and disclosure of environmental, social and governance (ESG) risks and opportunities across all lines of business (e.g. illegal, unreported and unregulated fishing; plastic pollution, tobacco risks, UNESCO World Heritage Sites) At ICEA LION we are doing this by incorporating ESG into underwriting. We have established our ESG risk appetite and will implement the same in year 2022 and beyond. This includes measuring and disclosing our carbon emissions.</p>
 <p><b>Insurance</b></p>	<p>Support the Insurance SDGs ( iSDGs) to harness insurance products and solutions to help achieve the SDGs. Close the insurance protection gap by actively developing and promoting inclusive and innovative insurance solutions (including through insurtech and nature-based solutions) for households, businesses and governments in order to build resilient cities and communities as well as sustainable food and agriculture systems, among others.</p> <p>At ICEA LION we are living to this commitment through a variety of means: Our participation in BimaLab, an IRA-driven innovation lab is one way of engaging with and supporting start-up insurtechs We are deploying a flood risk resilience model to enable us provide nature-based solutions to our clients’ challenges</p>



## Investments

Support the transition to a resilient, net-zero emissions economy, building on the work of the UN-convened Net-Zero Asset Owner Alliance. We have invested in Kenya's first green bond and continue to explore innovative financial instruments that support a carbon resilient economy.



## Policy, regulatory & industry engagement

Engage with policymakers, regulators and industry associations on key sustainability issues for the African insurance industry. We are living to this commitment by having co-developed the Nairobi declaration. We continue to be active members of the UNEP PSI and the Net Zero Insurance Alliance. We also participated as the only Africa member to the Task Force on Climate Related Financial Disclosures (TCFD). We are supporting The Actuarial Society of Kenya (TASK) members in understanding ESG and are regular trainers in their events on this subject. We are closely collaborating with industry bodies such as the Association of Kenya Insurers, the Organization for East and Southern African Insurers (OESA) among others on ESG and climate change.



## Sustainable Insurance thinking and practices

Promote the adoption and implementation of the four Principles for Sustainable Insurance across African insurance markets. Enhance the knowledge and capacity of the African insurance industry on sustainable insurance. Shape the sustainable insurance agenda in Africa and strengthen the global effort of insuring for sustainable development. Our internal and external engagements speak to these. We have various thought leadership roles including representation in the UNEP PSI Global Board and as well as the Leadership Council. We have participated in a number of events including: Hosting the 4th Africa PSI market event. We were represented at COP 26 and at the AFSIC Invest in Africa Conference in London.

## HOSTED 4<sup>TH</sup> PSI MARKET EVENT

On 22<sup>nd</sup> of April, we hosted delegates from Africa and the rest of the world in the first ever PSI market event in East and Central Africa.

The event themed **“Harnessing African insurance markets to achieve the UN Sustainable Development Goals”** was patronized by over 900 guests and high level speakers. The sessions covered key sustainability challenges and opportunities for African insurers’ risk management, insurance and investment activities – including closing the insurance penetration gap – and building resilient cities as well as sustainable food and agriculture systems. Speakers also discussed the impact of COVID-19 on the insurance industry and how African insurers are responding to the pandemic.

The Nairobi Declaration on Sustainable Insurance highlighted above on page 83 was also launched at this event.

## TREATING CUSTOMERS FAIRLY

We have put our customers at the core of our business and operations. Our customer satisfaction indices (CSI) and net promoter scores (NPS) have improved over the years as we move to a customer obsessed approach.

The table below shows our CSI scores over the past 4 years:

YEAR	2018	2019	2020	2021
CSI Score	64.5%	70.9%	72.3%	76.3%

The table below shows our NPS over the past 3 years. Positive NPS scores are considered good and are an indicator that a client is most likely able to recommend our services.

YEAR	2019	2020	2021
NPS Score	25.6	34.5	38.5

**Registration is still open!**  
 Visit <https://www.unepfi.org/psi/africa-market-event-2021/> to reserve your slot.  
 Once you register, you will have a chance to network with other attendees through the virtual networking platform that we have activated.

**SEE YOU THERE!**

**Event Moderator:** Reuben Wambui, Africa Regional Coordinator, UNEP Finance Initiative (UNEP FI)

**Welcome Remarks:** Burch Bacani, Programme Leader, UNEP Principles for Sustainable Insurance (PSI)

**Keynote Speakers:** Dr. Caesar Mwangi, CEO, ICEA LION Insurance Holdings; Mark Napier, CEO, FSD Africa; Sandra Ojiambo, CEO and Executive Director of UN Global Compact

**CEO Panel 1 (10:50-11:50 hrs (EAT)):** COVID-19 & its impact on the African insurance industry & its sustainability priorities. Speakers: Tom Gichuhi, Executive Director, Association of Kenya Insurers (AKI); Godfrey Kiptum, CEO & Commissioner of Insurance, Insurance Regulatory Authority of Kenya (IRA); Hope Murera, CEO, Zap Re; Thomas Sunday, CEO & Commissioner of Insurance, National Insurance Commission, Nigeria (NAICOM)

**CEO Panel 2 (12:00-1:30 hrs (EAT)):** Translating SDGs in the context of African Insurance Markets. Speakers: Beat Strehel, CEO, Swiss Re Africa; Dr. Caesar Mwangi, CEO, ICEA LION Insurance Holdings; Lesley Ndlovu, CEO, African Risk Capacity (ARC) Ltd; Parry Karualhe-Marrin, CEO, NamBo & Chair, Organisation of Eastern & Southern African Insurers (OESA); Conor Donaldson, Head of Implementation, International Association of Insurance Supervisors (IAIS)

**Platinum Sponsor:** fsdAfrica

**We will have Afternoon Thematic Roundtables hosted by senior industry experts from across Africa. These will run between 1400 and 1630 hrs (EAT).**

**African Risk Capacity Gold Sponsor**

## CORPORATE GOVERNANCE

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

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

### ANTI-BRIBERY AND CORRUPTION

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

### SUPPLIERS

We have a formal supplier selection process for all products and services procured that is reviewed every three years. All new suppliers are expected to comply with our Anti-bribery Policy, a copy of which is provided to them when they come on board. We have adopted a centralized procurement service which aims to bring with it enhanced efficiencies with regards to the procurement process. This service is overseen by a Procurement Committee.

### GOVERNMENT AND REGULATORS

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

### OUR PASSION FOR LION CONSERVATION

The partnership between KWS, Lion Conservationists and ICEA LION that began in 2016 received a boost as we handed over equipment worth Kes 1.7 Million towards continual monitoring of lions in the designated conservation areas across Kenya. This donation provides a sustainable way for KWS and its conservation partners to continually monitor our lion population even after the nationwide animal census.

The set of equipment comprised, among others, digital SLR cameras, data collection smart phones, satellite texters and trackers, binoculars, fuel drums, call back equipment and laptops. The population of lions in the wild has been noted to have decreased significantly throughout Africa and is currently at 20,000 with an estimated 2,489 being from Kenya. The lions' official conservation status is 'threatened and vulnerable'. Africa is synonymous with lions and people all over the world travel to Kenya to witness and experience our spectacular natural and wildlife wealth.



Prior to this, ICEA LION funded the KWS and Conservation Partners Methodologies and Standardisation Workshop to the tune of Kes. 0.46 Million. The workshop was conceptualised to ensure that the census project team was effective in terms of time and investment. This was to be realized by optimizing the efforts of conservation partners as well as by standardizing the census methodology. A key outcome from the standardisation workshop was that the originally planned eight census areas were reduced to five. Thereafter, ICEA LION funded the pilot census undertaken at Lake Nakuru National Park with Kes. 0.82 Million. The exercise further realised skills transfer and creation of job opportunities over and above testing and refining the efficacy of the aforementioned standardized census methodologies.

A key impact of our financial and operational support is the formulation and release of the National Recovery and Action Plan for Lion and Spotted Hyena in Kenya (2020-2030) which has updated the number of lions from approximately 2000 in 2014 to 2489 in 2021. Considering this was a key mission for ICEA LION under the MoU, to determine the real number of Lions in Kenya, the release of this Plan and indeed the report means that we have positively impacted the preservation of our natural wealth and that we have lived up to our Corporate Mission, "To Protect & Create Wealth!"

## 4. NATURAL CAPITAL

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

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

Due to this commitment, in 2021 we became signatories to the Net Zero Insurance Alliance (NZIA). This in essence sets our ESG risk appetite as we continue being the industry north-star in spearheading and driving the ESG agenda in this region. We also continue to be active members of the UNEP Finance Initiative's Principles of Sustainable Insurance (PSI) which places emphasis on management of environmental issues.

### COLLABORATION ON THE NAIROBI DECLARATION ON SUSTAINABLE INSURANCE

Together with the UNEP-FI, ICEA LION co-developed a statement of commitment for sustainable insurance linked to the United Nations Sustainable Development Goals (SDG). This commitment dubbed "*The Nairobi Declaration on Sustainable Insurance*" aims to promote collaboration among all like minded stakeholders to promote the goal of sustainable and inclusive development through our business practices. We have rallied our peers within the insurance industry in Africa and currently have 15 signatories to this Declaration. We have mobilised support and resources since the Declaration was launched and FSD Africa is now supporting it with an aim of getting at least 50 signatories by the time COP 27 is held in Egypt in November 2022.



THE NAIROBI DECLARATION ON  
SUSTAINABLE INSURANCE



CEOs breakfast meeting on the Nairobi Declaration on Sustainable Insurance

### OUR FOCUS ON ENVIRONMENTAL SUSTAINABILITY

We have an Environmental Policy which highlights our commitment towards environmental sustainability as follows:

- We have identified and comply with all environmental legislation, standards and codes of practice, which are relevant to our business
- We continue to improve our environmental performance through effective measurement, monitoring, communication and adoption of best techniques available to our tenants, suppliers and other stakeholders
- We influence our stakeholders to minimize, wherever possible, the use of natural resources (energy, fuel and water) and raw materials such as paper and other consumables. We have digitised many of our internal processes in a bid to reduce usage of paper as well as enhance efficiency of operations
- We promote raw materials use minimization through the use of reduce, reuse, recycle and dispose methodology
- We identify and manage instances of soil, groundwater or surface water contamination resulting from our operations

- We continue to improve our sanitation standards by ensuring there is adequacy, cleanliness and safety
- We conduct energy audits and implement the recommendations given for efficient use of energy on site.

### ADDITIONALLY, WE DO NOT KNOWINGLY:

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

### RESPONSIBLE CONSUMPTION

We continuously work to reduce the carbon footprint of our activities. The business continues to manage the above activities and this is evidenced by the level of costs incurred on various parameters as highlighted below. There was a slight increase in electricity costs during the year due to the slightly higher cost per kw as compared to the previous year.

The usage of paper continues to reduce over time. There was no overseas business travel carried out in 2021 due to COVID - 19 restrictions hence reducing our carbon footprint.

Cost Line (KES"000")	2021	2020	2019	2018
Electricity	6,010	5,622	6,131	5,044
Paper Cost	550	701	1,162	1,022

### OUR PASSION FOR LION CONSERVATION

Please see page 86 for more information on our Passion for Lion Conservation.



## 5. MANUFACTURED CAPITAL

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

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

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

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

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

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

For all our properties, we have employed best practice processes in terms of health and safety and environmental management.



### OUR DIGITAL PLATFORMS AND OPERATING PHILOSOPHY

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

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

### MAKING WORK FROM HOME WORK

Making work from home a possibility in today's world is no longer a luxury but a necessity to any company's survival. With the advent of mandatory work from home cultures, we have focused greatly in building the necessary infrastructure to seamlessly support this. Apart from providing infrastructure, software protection through cyber security resilience programs are incredibly important. Having centred on digital transformation project in the previous year, the focus in 2021 was utilisation and optimisation of the Group's systems in a bid to delve deeper into the customer journey thus enhancing

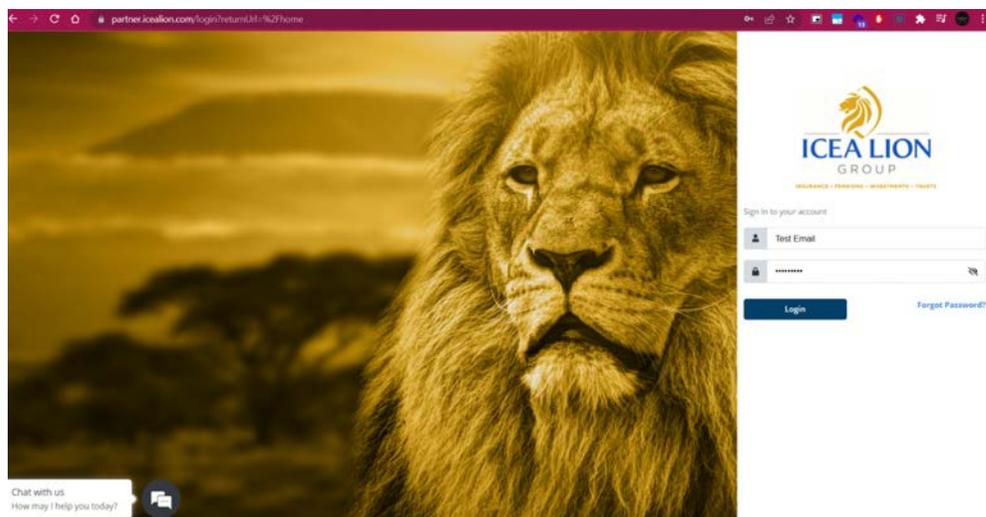
their experience whilst growing our bottom line and digital market share.

These included:

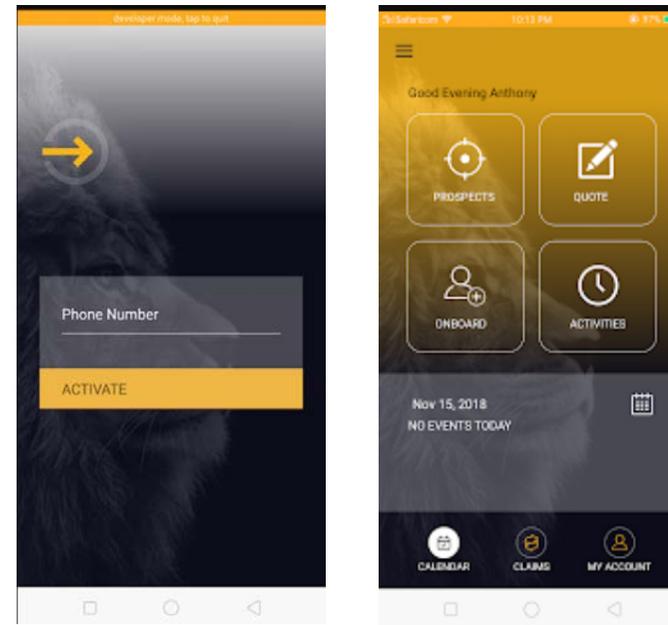
- Enhancement of our customer self-service portals to incorporate e-commerce capabilities as well as roll out of partners' portals for our intermediaries and Deposit Administration partners
- Realization of value on the mobile application through increased use by our agents
- Implementation of a USSD channel for customer connectivity
- Implementation of core system improvements arising from process optimization and resulting in shorter customer service turnaround timelines
- Embedding data analytics in product improvement and development through machine learning and predictive algorithms
- Realignment of our processes to comply with the new Data Protection Act 2019



## PARTNERS' PORTAL



## AGENTS' MOBILE APP



## 6. FINANCIAL CAPITAL

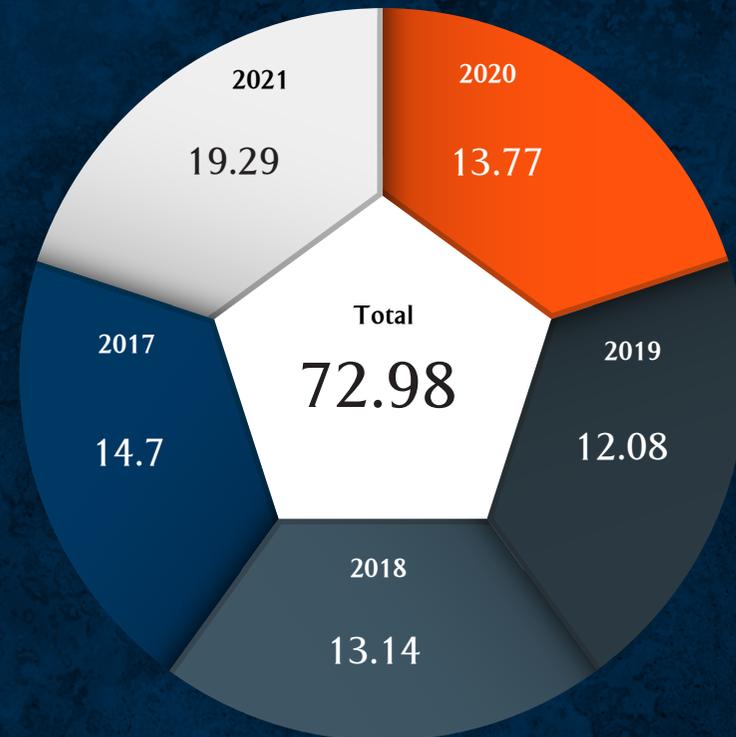
### CREATING REGIONAL VALUE THROUGH OUR FINANCIAL CAPITAL

ICEA LION Life Group's contribution to regional economic sustainability over the past five years in terms of payments and transfers to key stakeholders has exceeded KES. 72.98 billion as shown on the chart to the right.

Supporting qualified local suppliers when procuring any goods and services is our first choice. In 2020 and 2021, 99% of our purchases was spent on local suppliers. Our supply chain strategy is to engage with our suppliers and commit to our procurement, sustainability and environmental charters as we embed the principles of sustainable

insurance across the entire value chain. We believe that together we can deliver economic solutions to support both our business as well as to ensure the continued socio-economic growth of Kenya.

### VALUE DISTRIBUTED TO KEY STAKEHOLDERS\* KES Billions



\*Key stakeholders:

- Customers
- Shareholders
- Employees
- Sales Agents
- Government

## VALUE ADDED STATEMENT

GROUP	2021	2020	2019	2018	2017
	KES Millions	KES Millions	KES Millions	KES Millions	KES Millions
Gross written premiums & interest income	22,111	16,645	17,658	13,585	16,789
Less; Insurance ceded and costs of other services	(1,674)	(1,673)	(1,698)	(1,496)	(1,373)
<b>Wealth created:</b>	<b>20,437</b>	<b>14,972</b>	<b>15,960</b>	<b>12,089</b>	<b>15,416</b>
<b>DISTRIBUTION:</b>					
Benefits & interest payment to policy holders	14,209	10,574	9,329	10,782	12,513
Dividends to Shareholders	1,826	435	250	200	200
Benefits to Sales Agents	1,269	1,155	989	830	799
Taxes paid to Government	1,062	541	448	412	410
Employees - salaries, wages and other benefits	927	1,060	1,063	915	782
<b>RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:</b>					
Depreciation Amortisation	180	252	156	75	107
Retained Earnings	2,834	2,076	3,233	(446)	990
<b>Total distribution:</b>	<b>20,437</b>	<b>14,972</b>	<b>15,960</b>	<b>12,088</b>	<b>15,416</b>

## VALUE ADDED STATEMENT (continued)

COMPANY	2021	2020	2019	2018	2017
	KES Millions	KES Millions	KES Millions	KES Millions	KES Millions
Gross written premiums & interest income	19,185	13,742	15,241	11,473	14,737
Less; Insurance ceded and costs of other services	(832)	(873)	(858)	(805)	(694)
<b>Wealth created:</b>	<b>18,353</b>	<b>12,869</b>	<b>14,383</b>	<b>10,668</b>	<b>14,043</b>
<b>DISTRIBUTION:</b>					
Benefits & interest payment to policy holders	13,223	9,807	8,692	10,101	12,085
Dividends to Shareholders	1,826	435	250	200	200
Benefits to Sales Agents	935	857	744	614	570
Taxes paid to Government	935	250	227	185	211
Employees - salaries, wages and other benefits	636	577	621	519	453
<b>RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:</b>					
Depreciation Amortisation	118	111	101	53	82
Retained Earnings	2,505	1,582	2,962	(511)	675
<b>Total distribution:</b>	<b>18,353</b>	<b>12,869</b>	<b>14,383</b>	<b>10,667</b>	<b>14,043</b>



# 2021 AUDITED FINANCIAL STATEMENTS AND RELATED NOTES

06

## REPORT OF THE DIRECTORS

The directors have the pleasure of presenting their report together with the audited financial statements of ICEA LION Life Assurance Company Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2021.

### BUSINESS REVIEW

The principal activities of the Group are the transaction of life insurance business and pension schemes administration in Kenya and the transaction of general insurance business and life insurance business and pension scheme administration in Uganda. The Group and Company's 5 year financial highlights including ratios are summarised on pages 26 to 31.

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk, the effects of changes in debt and equity market prices, and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. These policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit and risk and compliance functions help to ensure that these policies are followed. Group's risk management objectives and policies are detailed in Note 4 and pages 60 to 70.

### RESULTS

	Long-term business KShs' 000	Short-term business KShs' 000	2021 Total KShs' 000	2020 Total KShs' 000
Profit before income tax	3,674,551	219,701	3,894,252	2,203,713
Income tax expense	(1,036,905)	(24,615)	(1,061,520)	(127,892)
<b>Profit for the year</b>	<b>2,637,646</b>	<b>195,086</b>	<b>2,832,732</b>	<b>2,075,821</b>

### DIVIDENDS

Net profit for the year of KShs 2,832,732,000 (2020: Profit of KShs 2,075,821,000) has been added to retained earnings. During the year, a special dividend of KShs 1,826,250,000 was paid. The directors recommend a final dividend of KShs 12.44 per share amounting to KShs 700 million (2020: KShs 19.33 per share amounting to KShs 435 million).

## DIRECTORS

The directors who held office during the year and to the date of this report are as set out on page 17.

## STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

## TERMS OF APPOINTMENT OF AUDITORS

KPMG was appointed in the year 2021 in line with the requirements of section 717 of the Kenyan Companies Act, 2015 and have indicated their willingness to continue in office.

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

## By Order of the Board



## SECRETARY

18/03/2022

Nairobi

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the financial statements of ICEA LION Life Assurance Company Limited (the "Group and Company") set out on pages 103 to 182 which comprise the consolidated and company statements of financial position as at 31 December 2021, and the consolidated and company statements of comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include determining that the basis of accounting described in Note 2 as an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial period which give a true and fair view of the financial position of the Group and Company as at the end of the financial period and of the profit or loss of the Group and Company for that period. It also requires the Directors to ensure the Group and Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company and its profit or loss.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and Company and of its profit or loss.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Group and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not be a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 18 March 2022.



**Joseph Wangai**

Chairman



**Dr. Caesar J M Mwangi**

Director

**Date**

18 March 2022

## REPORT OF THE PARENT COMPANY CONSULTING ACTUARY

I have conducted an actuarial valuation of the long term business of ICEA LION Life Assurance Company Limited and ICEA Life Assurance Company Limited as at 31 December 2021.

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

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

In my opinion, the long term business of the company were financially sound and the actuarial value of the liabilities in respect of all classes of long term insurance business did not exceed the amount of funds of the long term business at 31 December, 2021.



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

**Date** 18 March 2022



**KPMG Kenya**  
**Certified Public Accountants**  
 8th Floor, ABC Towers Waiyaki Way  
 PO Box 40612 00100 GPO  
 Nairobi, Kenya

Telephone +254 20 2806000  
 Email [info@kpmg.co.ke](mailto:info@kpmg.co.ke)  
 Website [www.kpmg.com/eafrica](http://www.kpmg.com/eafrica)

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICEA LION LIFE ASSURANCE COMPANY LIMITED

### Report on the audit of the consolidated and separate financial statements

#### Opinion

We have audited the consolidated and separate financial statements of ICEA LION Life Assurance Company Limited (the "Group and Company") as set out on pages 103 to 182 which comprise the consolidated and company statements of financial position as at 31 December 2021, and the consolidated and company statements of comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of ICEA LION Life Assurance Company Limited as at 31 December 2021, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by 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 consolidated and separate financial statements* section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. 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.

KPMG Kenya, a registered partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

Partners

BC D'Souza  
 JM Gathecha  
 JI Kariuki  
 PI Kinuthia  
 AM Mbai

BM Ndung'u  
 JM Ndunyu  
 S Obock

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

### Report on the audit of the consolidated and separate financial statements (continued)

#### Key audit matters (continued)

Insurance contract liabilities in the consolidated and separate financial statements

See Note 2(d), 3, and 31 to the financial statements

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED
<p>The Group and Company have significant insurance contract liabilities representing a significant portion of the Group and Company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of policyholder liabilities. Economic and non-economic assumptions, such as investment returns, discount rate, mortality and persistency, expenses and expense inflation and withdrawals are the key inputs used to estimate these insurance contract liabilities.</p> <p>The assumptions to be made have high estimation uncertainty and changes in the estimates may lead to material impact on the valuation of the liabilities.</p> <p>The valuation also depends on accurate data from the information systems. If the data used is not complete and accurate then material impacts on valuation of policyholder liabilities may also arise.</p> <p>As a result of the significant judgement and assumptions above, we determined insurance contract liabilities to be a key audit matter</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- Using our internal actuarial specialists to assist us in assessing the appropriateness of the methodology and comparing the assumptions used in determining insurance contract liabilities, by validating the reasonableness of the economic assumptions to market observable data and non-economic assumptions against the Group and Company's historical experience, current trends and our own industry knowledge;</li> <li>- Obtaining an understanding of the processes, systems and applications used in determination of insurance contract liabilities. This included assessing the design and operating effectiveness of controls over the overall Group and Company's reserving process and actuarial valuations;</li> <li>- Evaluating the reasonableness of management's liability adequacy testing by reviewing the actual vs expected analysis of surplus for any shortfalls or surpluses.</li> <li>- Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations including selecting a sample of the data and comparing to the policy documents to ensure its complete and accurate;</li> <li>- Evaluating the adequacy of the Group's and Company's disclosures in relation to key assumptions, judgements and sensitivities used in the calculation of insurance contract liabilities as per requirements of IFRS 4 Insurance Contracts.</li> </ul>

#### Other Matter

The consolidated and separate financial statements of ICEA LION Life Assurance Company Limited as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2021.

#### Other information

The directors are responsible for the other information. The other information comprise the information included in the ICEA LION Life Assurance Company Limited 2021 Integrated Report but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

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

### Report on the audit of the consolidated and separate financial statements (continued)

#### *Directors' responsibilities for the consolidated and separate financial statements*

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

#### *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 judgment and maintain professional skepticism 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's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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's and/or the 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.



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

### Report on the audit of the consolidated and separate financial statements (continued)

#### *Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)*

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

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

### Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015, we report to you based on our audit, that in our opinion, the information given in the report of the directors on pages 95 and 96 is consistent with the financial statements.

*The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Alexander Mbai – Practicing Certificate No. 2172.*

*For and behalf of:*

**KPMG Kenya**  
**Certified Public Accountants**  
**PO Box 40612 – 00100**  
**Nairobi, Kenya**

**Date:** 31 March 2022

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Long term business 2021 Ksh '000	Short term business 2021 Ksh '000	Total 2021 Ksh '000	Long term business 2020 Ksh '000	Short term business 2020 Ksh '000	Total 2020 Ksh '000
Gross earned premiums	5	8,133,687	897,392	9,031,079	5,650,020	743,005	6,393,025
Less: reinsurance premiums ceded		(441,477)	(515,549)	(957,026)	(468,166)	(410,248)	(878,414)
<b>Net earned premiums</b>		<b>7,692,210</b>	<b>381,843</b>	<b>8,074,053</b>	<b>5,181,854</b>	<b>332,757</b>	<b>5,514,611</b>
Investment income	6	12,593,500	142,887	12,736,387	9,077,511	248,021	9,325,532
Commissions earned		114,293	169,747	284,040	84,409	115,994	200,403
Fees earned by subsidiaries		-	-	-	-	662,740	662,740
Other operating income	7	46,896	5,095	51,991	42,720	17,488	60,208
Allowance for expected credit losses		(19,940)	22,448	2,508	-	-	-
Foreign exchange gain		897	3,634	4,531	536	2,722	3,258
<b>Total investment and other income</b>		<b>12,735,646</b>	<b>343,811</b>	<b>13,079,457</b>	<b>9,205,176</b>	<b>1,046,965</b>	<b>10,252,141</b>
Claims and policy holder benefits		14,279,002	308,621	14,587,623	10,692,338	344,301	11,036,639
Less: amounts recoverable from reinsurers		(217,439)	(160,889)	(378,328)	(320,940)	(230,133)	(551,073)
<b>Net claims incurred</b>	<b>8</b>	<b>14,061,563</b>	<b>147,732</b>	<b>14,209,295</b>	<b>10,371,398</b>	<b>114,168</b>	<b>10,485,566</b>
Commissions payable		1,120,167	148,764	1,268,931	1,008,477	146,383	1,154,860
Other operating expenses	9(a)	1,507,453	248,235	1,755,688	1,339,327	608,232	1,947,559
Finance costs	9(b)	64,122	3,687	67,809	81,695	19,888	101,583
<b>Total expenses</b>		<b>2,691,742</b>	<b>400,686</b>	<b>3,092,428</b>	<b>2,429,499</b>	<b>774,503</b>	<b>3,204,002</b>
<b>Results of operating activities</b>		<b>3,674,551</b>	<b>177,236</b>	<b>3,851,787</b>	<b>1,586,133</b>	<b>491,051</b>	<b>2,077,184</b>
Share of profit of associate, net of tax	20	-	42,465	42,465	-	126,529	126,529
<b>Profit before income tax</b>		<b>3,674,551</b>	<b>219,701</b>	<b>3,894,252</b>	<b>1,586,133</b>	<b>617,580</b>	<b>2,203,713</b>
Income tax (expense) /credit	10	(1,036,905)	(24,615)	(1,061,520)	10,909	(138,801)	(127,892)
<b>Profit for the year attributable to owners of the company</b>		<b>2,637,646</b>	<b>195,086</b>	<b>2,832,732</b>	<b>1,597,042</b>	<b>478,779</b>	<b>2,075,821</b>
<b>Other comprehensive income, net of tax: Items that may subsequently be reclassified to profit or loss</b>							
Other comprehensive income		-	-	-	-	(4,786)	(4,786)
Exchange differences in translating foreign operations		10,360	6,376	16,736	(27,122)	5,634	(21,488)
<b>Other comprehensive income; net of tax</b>		<b>10,360</b>	<b>6,376</b>	<b>16,736</b>	<b>(27,122)</b>	<b>848</b>	<b>(26,274)</b>
<b>Total comprehensive income for the year attributable to owners of the company</b>		<b>2,648,006</b>	<b>201,462</b>	<b>2,849,468</b>	<b>1,569,920</b>	<b>479,627</b>	<b>2,049,547</b>
Earnings per share (Basic and Diluted)	11			50.36			92.26

The notes on pages 110 to 182 are an integral part of the financial statements

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021



	Notes	Long term business 2021 Ksh '000	Short term business 2021 Ksh '000	Total 2021 Ksh '000	Long term business 2020 Ksh '000	Short term business 2020 Ksh '000	Total 2020 Ksh '000
Gross earned premiums	5	7,055,718	-	7,055,718	4,835,074	-	4,835,074
Less: reinsurance premiums ceded		(306,447)	-	(306,447)	(361,360)	-	(361,360)
<b>Net earned premiums</b>		<b>6,749,271</b>	<b>-</b>	<b>6,749,271</b>	<b>4,473,714</b>	<b>-</b>	<b>4,473,714</b>
Investment income	6	11,988,016	28,396	12,016,412	8,554,914	153,128	8,708,042
Commissions earned		88,068	-	88,068	159,624	-	159,624
Other operating income	7	44,445	2,641	47,086	39,761	(79)	39,682
Allowance for expected credit losses		(19,940)	(2,323)	(22,263)	-	-	-
<b>Total investment and other income</b>		<b>12,100,589</b>	<b>28,714</b>	<b>12,129,303</b>	<b>8,754,299</b>	<b>153,049</b>	<b>8,907,348</b>
Claims and policy holder benefits payable		13,293,224	-	13,293,224	10,087,691	-	10,087,691
Less: amounts recoverable from reinsurers		(70,079)	-	(70,079)	(281,114)	-	(281,114)
<b>Net claims payable</b>	<b>8</b>	<b>13,223,145</b>	<b>-</b>	<b>13,223,145</b>	<b>9,806,577</b>	<b>-</b>	<b>9,806,577</b>
Commissions payable		935,109	-	935,109	857,233	-	857,233
Operating and other expenses	9(a)	1,216,037	60	1,216,097	1,133,542	98	1,133,640
Finance costs	9(b)	64,122	-	64,122	66,214	-	66,214
<b>Total expenses</b>		<b>2,215,268</b>	<b>60</b>	<b>2,215,328</b>	<b>2,056,989</b>	<b>98</b>	<b>2,057,087</b>
<b>Profit before income tax</b>		<b>3,411,447</b>	<b>28,654</b>	<b>3,440,101</b>	<b>1,364,447</b>	<b>152,951</b>	<b>1,517,398</b>
Income tax (expense) / credit	10	(936,456)	1,164	(935,292)	86,508	(22,055)	64,453
<b>Profit for the year</b>		<b>2,474,991</b>	<b>29,818</b>	<b>2,504,809</b>	<b>1,450,955</b>	<b>130,896</b>	<b>1,581,851</b>
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>2,474,991</b>	<b>29,818</b>	<b>2,504,809</b>	<b>1,450,955</b>	<b>130,896</b>	<b>1,581,851</b>
Earnings per share (Basic and Diluted)	11			44.53			70.30

The notes on pages 110 to 182 are an integral part of the financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021



ASSETS	Notes	Long term	Short term	Total 2021	Long term	Short term	Total 2020
		business 2021	business 2021		business 2020	business 2020	
		Ksh '000	Ksh '000	Ksh '000	Ksh '000	Ksh '000	Ksh '000
Investment properties	17	8,795,000	1,168,000	9,963,000	9,363,000	1,247,000	10,610,000
Motor vehicle and equipment	14	107,930	18,595	126,525	140,334	31,477	171,811
Intangible assets	15	7,869	5,180	13,049	7,332	99,724	107,056
Right-of-use assets	16	426,826	30,317	457,143	491,618	128,644	620,262
Investment in associates	20	-	1,671,710	1,671,710	-	1,659,845	1,659,845
Deferred income tax	35	46,309	51,310	97,619	46,309	56,257	102,566
Mortgage loans	22(a)	651,482	-	651,482	604,372	-	604,372
Policy loans	22(b)	864,831	-	864,831	696,832	-	696,832
<b>Government securities:</b>							
- at amortised cost	27	69,700,524	806,758	70,507,282	56,636,912	573,491	57,210,403
- held at FVTPL	27	27,003,765	104,548	27,108,313	24,627,809	427,345	25,055,154
Corporate bonds at amortised cost	26	229,908	-	229,908	430,390	-	430,390
Kenya motor pool balances	21	-	24,738	24,738	-	36,703	36,703
<b>Equity securities:</b>							
- at fair value through profit or loss	18	9,514,758	13,119	9,527,877	7,756,543	9,509	7,766,052
Statutory deposits		42,148	59,022	101,170	39,753	48,944	88,697
Deferred acquisition costs	23	-	55,573	55,573	-	49,284	49,284
Receivables arising out of reinsurance arrangements		9,469	121,234	130,703	-	97,910	97,910
Receivables arising out of direct insurance arrangements		-	18,483	18,483	-	29,525	29,525
Reinsurers' share of insurance contracts liabilities	24	159,723	362,849	522,572	74,005	296,254	370,259
Current income tax	10(b)	40,168	143,463	183,631	48,899	42,882	91,781
Other receivables	25	785,330	86,555	871,885	769,065	265,264	1,034,329
Due from long term business		(588,853)	588,853	-	(443,530)	443,530	-
Deposits with financial institutions	28	3,523,419	706,859	4,230,278	2,873,839	1,022,347	3,896,186
REIT investment		150,000	-	150,000	-	-	-
Cash and bank balances		512,289	40,464	552,753	154,041	36,169	190,210
<b>Total Assets</b>		<b>121,982,895</b>	<b>6,077,630</b>	<b>128,060,525</b>	<b>104,317,523</b>	<b>6,602,104</b>	<b>110,919,627</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary shares	29	150,000	975,000	1,125,000	150,000	300,000	450,000
Share Premium		-	1,125,000	1,125,000	-	-	-
Statutory reserve	12	11,818,787	593,398	12,412,185	10,032,987	441,550	10,474,537
Translation reserve	12	(51,888)	(285,276)	(337,164)	(62,248)	(291,652)	(353,900)
Revaluation reserve		-	(4,786)	(4,786)	-	(4,786)	(4,786)
Retained earnings		495,108	1,430,311	1,925,419	329,954	3,994,875	4,324,829
Proposed dividends		-	700,000	700,000	-	435,000	435,000
<b>Total Equity</b>		<b>12,412,007</b>	<b>4,533,647</b>	<b>16,945,654</b>	<b>10,450,693</b>	<b>4,874,987</b>	<b>15,325,680</b>
<b>LIABILITIES</b>							
Current income tax	10(b)	248,261	-	248,261	5,860	1,051	6,911
Unearned premiums	30	-	176,200	176,200	-	161,538	161,538
Lease liabilities	38	676,349	32,613	708,962	717,923	174,398	892,321
Other payables	34	902,924	375,344	1,278,268	1,017,367	532,113	1,549,480
Payables arising from reinsurance arrangements		19,619	135,956	155,575	83,655	92,461	176,116
Payables arising from direct insurance arrangements		-	51,187	51,187	-	51,187	51,187
Payable under deposit administration contracts	33(a)	75,519,507	-	75,519,507	64,439,693	-	64,439,693
Payables under unit linked policies	33(b)	198,734	-	198,734	208,208	-	208,208
Insurance contract liabilities	31	29,669,226	543,480	30,212,706	25,694,312	450,662	26,144,974
Deferred income tax	35	2,336,268	229,203	2,565,471	1,699,812	263,707	1,963,519
<b>Total Liabilities</b>		<b>109,570,888</b>	<b>1,543,983</b>	<b>111,114,871</b>	<b>93,866,830</b>	<b>1,727,117</b>	<b>95,593,947</b>
<b>Total Equity and Liabilities</b>		<b>121,982,895</b>	<b>6,589,711</b>	<b>128,060,525</b>	<b>104,317,523</b>	<b>6,602,104</b>	<b>110,919,627</b>

The financial statements on pages 103 to 182 were approved and authorised by the board of directors on 18 March 2022 and were signed on its behalf by:

  
Joseph Wangai - Chairman

  
Dr. Caesar J M Mwangi - Director

  
G G Nyakundi - Principal officer

The notes on pages 110 to 182 are an integral part of the financial statements

# COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2021



	Notes	Long term business 2021 Ksh '000	Short term business 2021 Ksh '000	Total 2021 Ksh '000	Long term business 2020 Ksh '000	Short term business 2020 Ksh '000	Total 2020 Ksh '000
Investment properties	17	8,795,000	1,168,000	9,963,000	9,363,000	1,247,000	10,610,000
Motor vehicle and equipment	14	75,491	-	75,491	99,609	-	99,609
Intangible assets	15	3,069	-	3,069	6,356	-	6,356
Right-of-use assets	16	288,589	-	288,589	339,327	-	339,327
Investment in subsidiaries	19	9,823	680,443	690,266	9,823	683,101	692,924
Investment in associate	20	-	553,922	553,922	-	553,922	553,922
Subordinated Loan		-	129,033	129,033	-	-	-
Mortgage loans	22(a)	651,482	-	651,482	604,372	-	604,372
Policy loans	22(b)	678,774	-	678,774	544,345	-	544,345
Government securities at amortised cost	27	65,400,891	37,328	65,438,219	53,320,522	-	53,320,522
Government securities held at FVTPL	27	27,003,765	104,548	27,108,313	24,627,809	212,056	24,839,865
Corporate bonds at amortised cost	26	229,908	-	229,908	430,390	-	430,390
Kenya motor pool balances	21	-	24,738	24,738	-	36,703	36,703
Equity investments at fair value through profit or loss	18	9,345,877	-	9,345,877	7,665,131	-	7,665,131
Receivables arising out of reinsurance arrangements		9,469	-	9,469	-	-	-
Reinsurers' share of insurance liabilities	24	64,834	-	64,834	7,528	-	7,528
Other receivables	25	702,989	43,103	746,092	688,778	43,493	732,271
Current income tax	10(b)	-	131,894	131,894	-	19,381	19,381
Deferred income tax	35	46,309	50,982	97,291	46,309	50,982	97,291
Due from long term business		(588,853)	588,853	-	(443,530)	443,530	-
Deposits with financial institutions	28	2,905,343	555,759	3,461,102	2,542,871	417,747	2,960,618
REIT investment		150,000	-	150,000	-	-	-
Cash and bank balances		438,875	2,379	441,254	88,055	2,768	90,823
<b>Total Assets</b>		<b>116,211,635</b>	<b>4,070,982</b>	<b>120,282,617</b>	<b>99,940,695</b>	<b>3,710,683</b>	<b>103,651,378</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary shares	29	150,000	975,000	1,125,000	150,000	300,000	450,000
Share Premium		-	1,125,000	1,125,000	-	-	-
Statutory reserve	12	11,735,162	-	11,735,162	9,960,168	-	9,960,168
Retained earnings		-	721,830	721,830	-	2,518,262	2,518,262
Proposed dividends		-	700,000	700,000	-	435,000	435,000
<b>Total Equity</b>		<b>11,885,162</b>	<b>3,521,830</b>	<b>15,406,992</b>	<b>10,110,168</b>	<b>3,253,262</b>	<b>13,363,430</b>
<b>LIABILITIES</b>							
Current income tax	10(b)	248,262	-	248,262	5,860	-	5,860
Lease liabilities	38	506,781	-	506,781	541,203	-	541,203
Other payables	34	662,158	264,781	926,939	776,996	147,453	924,449
Payables arising from reinsurance arrangements		-	3,981	3,981	55,305	3,981	59,286
Payables arising from direct insurance arrangements		-	51,187	51,187	-	51,187	51,187
Payable under deposit administration contracts	33(a)	72,876,041	-	72,876,041	62,603,711	-	62,603,711
Payables under unit linked policies	33(b)	198,734	-	198,734	208,208	-	208,208
Insurance contract liabilities	31	27,498,229	-	27,498,229	23,939,432	-	23,939,432
Deferred income tax	35	2,336,268	229,203	2,565,471	1,699,812	254,800	1,954,612
<b>Total Liabilities</b>		<b>104,326,473</b>	<b>549,152</b>	<b>104,875,625</b>	<b>89,830,527</b>	<b>457,421</b>	<b>90,287,948</b>
<b>Total Equity and Liabilities</b>		<b>116,211,635</b>	<b>4,070,982</b>	<b>120,282,617</b>	<b>99,940,695</b>	<b>3,710,683</b>	<b>103,651,378</b>

The financial statements on pages 103 to 182 were approved and authorised by the board of directors on 18 March 2022 and were signed on its behalf by:

  
Joseph Wangai - Chairman

  
Dr. Caesar J M Mwangi - Director

  
G G Nyakundi - Principal officer

The notes on pages 110 to 182 are an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2021



	Share capital	Share Premium	Statutory reserve	Revaluation reserve	Translation reserve	Retained earnings	Proposed dividends	Total
Notes	Ksh '000	Ksh '000	Ksh '000	Ksh '000	Ksh '000	Ksh '000	Ksh '000	Ksh '000
Balance as at 1 January 2020	450,000	-	9,338,745	-	(332,412)	3,819,800	435,000	13,711,133
Profit for the year	-	-	1,597,042	-	-	478,779	-	2,075,821
Other comprehensive income for the year	-	-	-	(4,786)	(21,488)	-	-	(26,274)
Transfer from statutory reserve	-	-	(461,250)	-	-	461,250	-	-
<b>Transaction with owners:</b>								
Final dividend paid for 2019	-	-	-	-	-	-	(435,000)	(435,000)
Dividend proposed 2020	-	-	-	-	-	(435,000)	435,000	-
<b>Balance as at 31 December 2020</b>	<b>450,000</b>	<b>-</b>	<b>10,474,537</b>	<b>(4,786)</b>	<b>(353,900)</b>	<b>4,324,829</b>	<b>435,000</b>	<b>15,325,680</b>
<b>At start of year</b>	<b>450,000</b>	<b>-</b>	<b>10,474,537</b>	<b>(4,786)</b>	<b>(353,900)</b>	<b>4,324,829</b>	<b>435,000</b>	<b>15,325,680</b>
Profit for the year	-	-	2,637,648	-	-	195,086	-	2,832,734
Other comprehensive income for the year	-	-	-	-	16,736	-	-	16,736
Loss on Deconsolidation						(768,246)		(768,246)
New issued and paid for shares - 33,750,000	675,000	1,125,000	-	-	-	-	-	1,800,000
Transfer from statutory reserve	-	-	(700,000)	-	-	700,000	-	-
<b>Transaction with owners:</b>								
Final dividend paid for 2020	13	-	-	-	-	-	(435,000)	(435,000)
Special dividend paid	13	-	-	-	-	(1,826,250)	-	(1,826,250)
Proposed dividend		-	-	-	-	(700,000)	700,000	-
<b>Balance as at 31 December 2021</b>	<b>1,125,000</b>	<b>1,125,000</b>	<b>12,412,185</b>	<b>(4,786)</b>	<b>(337,164)</b>	<b>1,925,419</b>	<b>700,000</b>	<b>16,945,654</b>

The notes on pages 110 to 182 are an integral part of the financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2021



Notes	Share capital Ksh '000	Share Premium Ksh '000	Statutory reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Total Ksh '000
Balance as at 1 January 2020	450,000	-	8,970,465	2,361,116	435,000	12,216,581
Profit for the year	-	-	1,450,955	130,896	-	1,581,851
Transfer from statutory reserve	-	-	(461,250)	461,250	-	-
<b>Transaction with owners:</b>						
Final dividend paid for 2019	-	-	-	-	(435,000)	(435,000)
Final dividend proposed 2020	-	-	-	(435,000)	435,000	-
<b>Balance as at 31 December 2020</b>	<b>450,000</b>	<b>-</b>	<b>9,960,170</b>	<b>2,518,262</b>	<b>435,000</b>	<b>13,363,432</b>
<b>At start of year</b>	<b>450,000</b>	<b>-</b>	<b>9,960,170</b>	<b>2,518,262</b>	<b>435,000</b>	<b>13,363,432</b>
Profit for the year	-	-	2,474,992	29,818	-	2,504,810
New issued and paid for shares - 33,750,000	675,000	1,125,000	-	-	-	1,800,000
Transfer from statutory reserve	-	-	(700,000)	700,000	-	-
<b>Transaction with owners:</b>						
Final dividend paid for 2020	-	-	-	-	(435,000)	(435,000)
Special dividend paid	-	-	-	(1,826,250)	-	(1,826,250)
Proposed dividend	-	-	-	(700,000)	700,000	-
<b>Balance as at 31 December 2021</b>	<b>1,125,000</b>	<b>1,125,000</b>	<b>11,735,162</b>	<b>721,830</b>	<b>700,000</b>	<b>15,406,992</b>

The notes on pages 110 to 182 are an integral part of the financial statements.

# CONSOLIDATED & COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2021



	Note	GROUP		COMPANY	
		2021 Ksh '000	2020 Ksh '000	2021 Ksh '000	2020 Ksh '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash generated from operations	36	5,896,936	3,513,089	4,990,238	2,036,084
Income tax paid	10(b)	(312,117)	(355,560)	(194,545)	(184,725)
<b>Net cash generated from operating activities</b>		<b>5,584,819</b>	<b>3,157,529</b>	<b>4,795,693</b>	<b>1,851,359</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income		11,764,291	9,655,081	10,959,739	9,082,638
Purchase of motor vehicle and equipment	14	(41,046)	(80,153)	(35,721)	(44,970)
Right of use asset	16	(10,177)	(115,394)	-	(8,959)
Purchase of intangible assets	15	(14,119)	(116,701)	(4,603)	-
Proceeds from disposal of subsidiary	30(b)	32,943	-	44,596	-
Proceeds from disposal of right of use asset	16	31,906	-	-	-
Proceeds from disposal of property and equipment	14	4,585	-	(3,226)	-
Additions to investment property	17	(14,640)	(11,351)	(14,639)	(11,351)
Purchase of quoted shares	18	(865,562)	(954,274)	(793,905)	(945,198)
Purchase of corporate bonds		(225,450)	(4,650)	(225,450)	(4,650)
Proceeds from disposal of government securities		4,883,571	7,036,415	1,944,884	2,855,929
Purchase of government securities		(20,932,370)	(21,928,759)	(16,814,503)	(16,365,922)
Purchase of REIT		(150,000)	-	(150,000)	-
Policy loans advanced	22(b)	(457,389)	(250,962)	(359,626)	(181,996)
Policy loans recovered	22(b)	289,390	168,096	225,197	143,100
Mortgage loans advanced	22(a)	(132,720)	(114,113)	(132,720)	(114,113)
Mortgage loans recovered	22(a)	85,610	84,441	85,610	84,441
Proceeds from/(placement of) deposits with financial institutions		(905,254)	1,703,767	(353,225)	1,443,710
Proceeds from disposal of quoted shares		122,706	11,205	149,498	18,926
Proceeds from disposal of Investment Properties		398,000	-	398,000	-
Redemption of corporate bonds		425,933	419,448	425,933	419,448
Dividend income on equity investments		321,400	356,376	315,222	399,343
Rental income		436,957	504,094	436,957	506,090
Purchase of statutory deposit		(12,473)	(15,445)	-	-
<b>Net cash used in investing activities</b>		<b>(4,963,908)</b>	<b>(3,652,879)</b>	<b>(3,901,982)</b>	<b>(2,723,534)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
2020 Final Dividends paid		(2,261,250)	(435,000)	(2,261,250)	(435,000)
Issued and paid for additional shares		1,800,000	-	1,800,000	-
Subordinated Loan		-	-	(54,839)	-
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>159,660</b>	<b>(930,350)</b>	<b>377,622</b>	<b>(1,307,175)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>1,229,414</b>	<b>2,186,040</b>	<b>194,461</b>	<b>1,501,635</b>
Effect of translation of cash and cash equivalents and OCI	36(b)	16,736	(26,274)	-	-
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	36(b)	<b>1,405,810</b>	<b>1,229,416</b>	<b>572,083</b>	<b>194,460</b>

The notes on pages 110 to 182 are an integral part of the financial statements.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## Notes to the Financial Statements



### 1. GENERAL INFORMATION

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

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

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

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of preparation

##### (i) Statement of compliance

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

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

##### (ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are measured at fair value: -

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

##### (iii) Functional and presentation currency

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

##### (iv) Use of estimates and judgements

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

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

##### (i) New and amended standards adopted by the Group

The following standards and interpretations apply for the first time to the financial reporting period commencing 1 January 2021:

- (a) Covid-19- Related Rent Concessions – Amendments to IFRS 16
- (b) Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments listed above did not have a material effect on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. This is attributed to the fact that the Company is not a lessee and has no contracts subject to Interest Rate Benchmark Reform changes.

##### (ii) New standards and interpretations not yet adopted by the Group

A number of new standards are effective for annual periods beginning after 1 January 2021, and earlier adoption is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

#### New and amended IFRS Standards that are effective for the current year (continued)

#### (ii) New standards and interpretations not yet adopted by the Group (continued)

#### (a) IFRS 17 Insurance Contracts – effective 1 January 2023

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 (Insurance Contracts). It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract, which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general measurement model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Data requirements, policy choice decisions, and financial impact assessments are in progress. However, the Directors expect that the adoption of IFRS 17 will have a material impact on the Company’s financial statements once the standard is effective.

#### b) Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16) effective 1 January 2022

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

#### c) Reference to the Conceptual Framework (Amendments to IFRS 3) effective 1 January 2022

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

#### d) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) effective 1 January 2023

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity.

#### e) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) effective 1 January 2023

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

#### f) Definition of Accounting Estimates (Amendments to IAS 8) effective 1 January 2023

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Definition of Accounting Estimates (Amendments to IAS 8) effective 1 January 2023 (continued)

to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

### (g) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) effective 1 January 2023

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

### (h) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective 1 January 2022

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

### (i) Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

### (j) Annual improvements to IFRS Standards 2018 – 2020 effective 1 January 2022

The following improvements were deemed applicable to the Company:

IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The Directors do not plan to apply the above standards until they become effective. Based on their assessment of the potential impact of the application of the above, only IFRS 17 (Insurance contracts) is expected to have a significant impact on the Company's financial statements.

#### (iii) Standard issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

#### (iv) Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Annual Improvements to IFRS Standards 2018 - 2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Annual Improvements to IFRS Standards 2018–2020

*The Annual Improvements include amendments to four Standards.*

### IFRS 1 First-time Adoption of International Financial Reporting Standards

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

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

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

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

### IFRS 9 Financial Instruments

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

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

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

### IFRS 16 Leases

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

### (b) Basis of consolidation

#### Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

### **Changes in ownership interests in subsidiaries without change of control**

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

### **Disposal of subsidiaries**

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

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

### **Associates**

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

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

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

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

## IFRS 9 Financial Instruments (continued)

### (b) Basis of consolidation (Continued)

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

### (c) The Kenya Motor pool

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

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

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

#### i) Classification

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### Long-term insurance business

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

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

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

#### Short term insurance business

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

## IFRS 9 Financial Instruments (Continued)

### ii) Recognition and Measurement

#### Premium Income

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

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

#### Claims

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

For permanent assurances including endowments, decreasing term, level term and annuities, the liabilities are determined using Gross Premium Valuation (GPV) method on a policy by policy basis in accordance with the Insurance Regulatory Authority (IRA) guidelines.

The Gross Premium Valuation reserves are then computed by deducting the present value of the future income from the present values of future outgo at the prescribed valuation rate of interest.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Outstanding claims are not discounted.

### Reinsurance contracts held

The Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance attained are recognised as income in the same manner as they would be if the reinsurance were considered direct business. Ceded reinsurance arrangements do not relieve the group from its obligations to policyholders. Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated statement of comprehensive income and statement of financial position as appropriate.

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

The group also assumes reinsurance risk in the normal course of business for nonlife insurance contracts. Premiums and claims on reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

Receivables and payables related to insurance contracts and investment contracts  
Receivables and payables related to insurance contracts and investment contracts are amounts due from / due to agents, brokers and insurance contract holders. Expected credit losses against receivables are recorded in accordance with IFRS 9 as set out in note 2k.

### Salvage and subrogation reimbursements

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

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

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

### Deferred policy acquisition cost (DAC)

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

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

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

#### (i) Rendering of services

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ii) Investment Income

##### Rental income

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

##### Dividend income

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

##### Interest income

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

#### (f) Deposit administration contracts

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

#### (g) Accrued leave benefits

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

#### (h) Motor vehicle and equipment

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

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

<b>Motor vehicles</b>	25%
<b>Furniture fittings &amp; equipment</b>	12.5%
<b>Computer equipment</b>	33.3%

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

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

#### (i) Intangible assets

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

#### (j) Investment properties

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### k) Financial instruments

#### Financial assets

##### i) Classification

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

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

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

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

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

##### ii) Recognition and derecognition

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

##### iii) Measurement

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

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

### iii) Measurement (continued)

#### Debt instruments (continued)

There are three measurement categories into which the Group classifies its debt instruments:

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

#### Debt Instrument

recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

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

#### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Equity instruments (continued)

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

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

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

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

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

### iv) Impairment

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

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

- Debt securities measured at amortised cost
- Receivables arising from direct insurance arrangements;
- Receivables arising from reinsurance arrangements;
- Corporate bonds;

### iv) Impairment (continued)

- Deposits with financial institutions;
- Cash and bank balances;
- Kenya motor insurance pool;
- Mortgage loans
- Policy loans

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

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

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

- Debt instruments that are determined to have low credit risk at the reporting date. The Group will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- Other financial instruments (other than trade receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for premium receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Measurement of expected credit losses

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

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

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

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

### Expected credit losses

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

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

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

### The General Approach

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

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

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

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

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

### Definition of default

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

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

### Significant increase in credit risk (SIICR)

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Measurement of expected credit losses (continued)

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

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

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

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

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

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

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

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

### Measurement of ECL

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

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

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(Significant increase in credit risk (SIICR) (Continued)*

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

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

### **Offsetting financial instruments**

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

### **Financial liabilities**

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

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

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

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

### **Financial liabilities (continued)**

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

#### **(l) Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### **(m) Translation of foreign currencies and operations**

##### **(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Kenya Shillings rounded to the nearest thousand ("Shs"), which is the Group's presentation currency.

##### **(ii) Transactions and balances**

In preparing the financial statements of individual entities in the Group, transactions in foreign currencies during the year are recorded at rates ruling at the transaction dates. Assets and liabilities at the end of each reporting period which are expressed in foreign currencies are translated at rates ruling at that date. The resulting differences are dealt with in the statement of comprehensive income come in the year in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated to Kenya shillings using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in other comprehensive income and accumulated in equity under the Groups' currency translation reserve. Such differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Leases

#### (a) The Group as lessee

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

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

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

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

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Motor vehicle and Equipment' policy.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Leases (continued)

#### (b) *The Group as lessor*

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

### (o) Income tax expense

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

#### **Current income tax**

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

### (o) Income tax expense (continued)

#### **Deferred income tax**

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Retirement contribution obligations

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Group and employees. The employees of the Group are also members of the statutory National Social Security Fund ("NSSF"). The Group's contributions to the defined contribution scheme and NSSF are charged to the profit or loss in the year to which they relate.

### (q) Dividends

Dividends on ordinary shares are charged to retained earnings in the year in which they are paid. Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the shareholders

### (r) Share Capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Shares are classified as equity when there is no obligation to transfer cash or other assets.

## 3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparation of the annual financial statements, the Group makes use of estimates and assumptions that affect the reported amounts of its assets and liabilities.

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Judgements made by management that could have a significant effect on the amounts recognized in the financial statements include:

### a) Short-term insurance contract liabilities

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported (IBNR) are net of expected recoveries from salvage and subrogation. The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

### b) Long term insurance contract liabilities

The long term insurance contract liabilities have been calculated in accordance with the actuarial method and basis set out in the insurance valuation of technical provisions for life insurance business guidelines, 2017. The liabilities have been determined using the Gross Premium Valuation (GPV) method and Insurance Regulatory Authority (IRA) guidelines on a policy by policy basis. The best estimate liability has been increased in accordance with the prescribed loadings risk margins. The assumptions underlying the compulsory risk margins have purely been based on the regulatory guidelines. The key assumptions that have been used in determining the actuarial liabilities at year end include; mortality, longevity, expense inflation, investment return and withdrawals.

**3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

The most significant valuation assumptions are as summarized below;

- i) Annuities Mortality Assumption - The group used KE 2007-2010 as base table of standard mortality 60% KE-2007-2010 plus 40% a(55) for annuitant life.
- ii) Ordinary Life Mortality Assumption - The group used KE 2007-2010 as base table of standard mortality for ordinary life.
- iii) Withdrawals - The withdrawal rates used in the valuation were set as per the experience observed in the Company's data.
- iv) The discount rate assumptions used are based on unadjusted term dependent treasury bond gross redemption yields as at 31st December 2020 published in the Nairobi Securities Exchange (NSE).
- v) Expense and inflation - The level of renewal expenses were taken based on the current expense experience of the Company. The expense inflation has been assumed to be 5% for the year ended 31<sup>st</sup> December 2020

**SENSITIVITY ANALYSIS**

The effect of changes in mortality, longevity, expenses and withdrawals will have the following effect on the value of actuarial liabilities;

	<b>% change</b>	<b>2021 Kshs'000</b>	<b>2020 Kshs'000</b>
Mortality	+10	51,986	46,408
Longevity	+10	205,618	181,225
Expense inflation	+10	62,667	56,226
Withdrawals	+10	(28,409)	(28,661)
Mortality	-10	(51,189)	(45,596)
Longevity	-10	(192,029)	(169,140)
Expense inflation	-10	(60,459)	(54,250)
Withdrawals	-10	29,304	29,483

The above sensitivity analysis is on the Company actuarial liabilities. Since the Company actuarial liabilities account for over 90% of the group actuarial liabilities the subsidiaries liabilities will not materially change this sensitivity position.

The table below summarizes details of the risk margins applied in the actuarial valuation of long term insurance contract liabilities:

	<b>Risk Margins Applied</b>	
	<b>31st December 2021</b>	<b>31st December 2020</b>
Mortality	increase in mortality for 10% death assurances	increase in mortality for 10% death assurances
Longevity	decrease in mortality for 10% life assurances and annuities	decrease in mortality for 10% life assurances and annuities
Morbidity/disability	decrease in inception 10% rates & 5% decrease in recovery rates	decrease in inception 10% rates & 5% decrease in recovery rates

**3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

Lapses	increase or decrease in 25% lapse rates depending on which options gives rise to increase in liabilities	increase or decrease in 25% lapse rates depending on which options gives rise to increase in liabilities
Interest	decrease 10%	decrease 10%
Expenses	decrease 10%	decrease 10%
Expense inflation	increase of estimated 10% escalation rate	increase of estimated 10% escalation rate
Surrenders	increase or decrease in 10% surrender rates depending on which option gives rise to increase in liabilities	increase or decrease in 10% surrender rates depending on which option gives rise to increase in liabilities

**Interest rate margins Sensitivity**

The actual interest rate used is arrived at by multiplying the risk free term structure of the interest rates of government bonds by a risk margin factor (1-risk margin) which further reduces the valuation interest rate thus increasing the liabilities. The liabilities for 2021 have been valued using 10% (2020 10%) risk margins on interest rates as stipulated in the IRA regulations. The table below summarises the impact on the earnings of the group had the rate increased or decreased by 10%.

Interest rate risk margin	Multiplication factor	(Decrease)/increase in earnings
+10%	(1-10%)	million(1,943)
10% -	(1-10%)	million 2,259

**c) Income Tax**

The Group is subject to income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**d) Valuation of Investment property**

Estimates are made in determining valuations of investment properties. Fair value is based on valuation performed by an independent valuation expert. In performing the valuation the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales. The independent valuers also use the highest and best use principle in determining the value of Investment property. The change in these assumptions could result in a significant change in the carrying value of investment property. Management monitors the investment property market and economic conditions that may lead to significant change in fair value, and conducts a formal and independent property valuation at least once every three years and adjusts the recorded fair values accordingly for any significant change.

**SENSITIVITY ANALYSIS**

The effect of changes in gross annual rental and yield will have the following effect on the fair value of investment property;

	% change	2021 Kshs'000	2020 Kshs'000
Gross annual rental income	+10	752,761	818,765
Gross annual rental income	-10	615,895	(669,899)
Yield	+0.5	7.0%	7.1%
Yield	-0.5	6.0%	6.2%

**e) Calculation of loss allowance**

When measuring expected credit losses (ECL), the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default (PD) constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

### 3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

If the ECL rates on the financial assets had been 5% higher (lower) as of 31 December 2021, the loss allowance would have been Kshs.4,623,229 and Kshs.6,216,049 (2020: Kshs. 4,687,530 and Kshs. 3,580,192) for the group and the company respectively

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

In estimating the recoverable amount of the right-of-use asset, the directors have made assumptions about the achievable market rates for similar properties with similar lease terms.

#### g) Business model assessment

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

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

### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK

The Group's activities expose it to a variety of financial and insurance risks. The Group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The disclosures below summarises the way the Group manages key risks:

#### 4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

#### 4.1 Insurance risk (continued)

##### Long-term business

Long term insurance products expose required capital to risk if actual experience differs from that which is assumed. The Group is also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect to long term business.

The Group manages underwriting risk through Its product development process and underwriting policy to prevent anti - selection and ensure appropriate premium rates (loadings) for substandard risks.

The Group also ensures there is adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks. Other measured the Group uses to manage its Insurance risk includes ensuring that there is in place a sound claims handling policy and adequate pricing and reserving philosophy. Quarterly full actuarial valuations and the Group's regular performance reporting process assist in the timely identification of experience variances.

The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk;

- i) All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process.
- ii) The statutory actuaries approve the policy conditions and premium rates of new and revised products;
- iii) Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- iv) The experience of reinsurers is used where necessary for the rating of substandard risks
- v) The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary.
- vi) Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action is taken where necessary.

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered as a result of road accidents and injuries to agricultural employees. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include excess, surplus and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than set limits per class of business in any one year.

The Group has specialised claims units dealing with the mitigation of risks surrounding known claims. This unit investigates all claims and adjusts them where necessary. The claims records are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

#### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

##### 4.1 Insurance risk (continued)

##### Short-term business (continued)

##### (b) Sources of uncertainty in the estimation of future claim payments

Claims on all insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims are settled over a long period of time and a large element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they have adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered and damage or loss to property.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

At present; these risks are monitored very closely and reinsurance arrangements are in place to protect the impact of severity of claims and frequency from one event. There is also an underwriting policy in place which is strictly followed.

The underwriting strategy adopted is intended to ensure that the risks underwritten are well diversified in terms of type of risk and level of insured benefits. Medical selection is also included in underwriting procedures with premiums varied to reflect the health condition and family medical history of the insured. The Group has retention limit for standard risks (from a medical point of view). The Group does not have in place any reinsurance for contracts that insure survival risk but every year reserves are set aside to support the liabilities arising from such contracts. Insurance risk for contracts disclosed in this note is also affected by policyholder's right to pay reduced premiums or no future premiums or terminate the contract completely.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

### 4.1 Insurance risk (continued)

#### Concentration of insurance risks

The table below discloses the maximum insured risk (sum assured) by the class of business in which the contract holder operates and included in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities (gross and net of reinsurance) arising from insurance. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

#### GROUP

Year ended 31 December 2021

##### Long term Business

##### Class of business

		Maximum Insured loss			Total Shs'000
		Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	
Annuity	Gross/Net	2,982,065	400,664	-	3,382,729
Ordinary life	Gross	52,474,565	2,224,727	7,957,557	62,656,849
	Net	41,254,705	626,186	7,407,070	49,287,961
Group life	Gross	1,452,449	20,177,444	180,598,223	202,228,116
	Net	1,399,806	14,569,697	83,400,618	99,370,121

##### Short term business

##### Class of business

Fire	Gross	3,227	4,598	3,925	11,750
	Net	3,149	3,995	3,363	10,507
Motor	Gross	5,009	29,608	99,888	134,505
	Net	3,936	3,936	3,936	3,936
Accident	Gross	446	16,360	126,769	143,575
	Net	416	10,103	22,044	32,563
Others	Gross	3,131	17,747	84,052	104,930
	Net	2,368	2,368	2,368	2,368
<b>Total</b>	<b>Gross</b>	<b>56,920,892</b>	<b>22,871,148</b>	<b>188,870,414</b>	<b>268,662,454</b>
<b>Total</b>	<b>Net</b>	<b>45,646,445</b>	<b>15,616,949</b>	<b>90,839,399</b>	<b>152,090,185</b>

**4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)**
**4.1 Insurance risk (continued)**
**Concentration of insurance risks (continued)**
**COMPANY**
**Year ended 31 December 2021**
**Long term Business**
**Class of business**

Annuity

Ordinary life

Group life

**Total**
**Total**

	Maximum Insured loss			
	Shs 0 m-Shs 15 m	Shs 15 m-Shs 250 m	Shs 250 m and above	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Gross/Net	2,982,065	400,664	-	3,382,729
Gross	45,293,838	1,821,304	777,600	47,892,742
Net	34,922,202	512,976	244,850	35,680,028
Gross	809,768	11,660,544	109,726,099	122,196,411
Net	777,979	8,155,208	54,031,722	62,964,909
<b>Gross</b>	<b>49,085,671</b>	<b>13,882,512</b>	<b>110,503,699</b>	<b>173,471,882</b>
<b>Net</b>	<b>38,682,246</b>	<b>9,068,848</b>	<b>54,276,572</b>	<b>102,027,666</b>

**GROUP**
**Year ended 31 December 2020**
**Long term Business**
**Class of business**

Annuity

Ordinary life

Group life

**Short term business**
**Class of business**

Fire

Motor

Accident

Others

**Total**
**Total**

	Maximum Insured loss			
	Shs 0 m-Shs 15 m	Shs 15 m-Shs 250 m	Shs 250 m and above	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Gross/Net	2,900,177	601,211	-	3,501,388
Gross	44,650,738	1,918,104	418,812	46,987,654
Net	9,261,387	1,494,435	415,312	11,171,134
Gross	1,015,437	13,164,349	109,937,538	124,117,324
Net	925,533	9,000,377	55,380,954	65,306,864
Gross	3,027	4,313	3,681	11,021
Net	2,954	3,747	3,154	9,855
Gross	4,697	27,767	93,678	126,142
Net	3,691	13,497	8,783	25,971
Gross	418	15,343	118,888	134,649
Net	390	9,475	20,674	30,539
Gross	2,936	16,643	78,827	98,406
Net	2,221	10,941	13,750	26,912
<b>Gross</b>	<b>48,577,430</b>	<b>15,747,730</b>	<b>110,651,424</b>	<b>174,976,584</b>
<b>Net</b>	<b>13,096,353</b>	<b>11,133,683</b>	<b>55,842,627</b>	<b>80,072,663</b>

#### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

##### 4.1 Insurance risk (continued)

###### COMPANY

Year ended 31 December 2020

Long term Business

Class of business

Annuity

Ordinary life

Group life

**Total**

**Total**

	Maximum Insured loss			Total Shs'000
	Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	
Gross/Net	2,900,177	601,211	-	3,501,388
Gross	44,650,738	1,918,104	418,812	46,987,654
Net	9,261,387	1,494,435	415,312	11,171,134
Gross	1,015,437	13,164,349	109,937,538	124,117,324
Net	925,533	9,000,377	55,380,954	65,306,864
<b>Gross</b>	<b>48,566,352</b>	<b>15,683,664</b>	<b>110,356,350</b>	<b>174,606,366</b>
<b>Net</b>	<b>13,087,097</b>	<b>11,096,023</b>	<b>55,796,266</b>	<b>79,979,386</b>

##### 4.2 Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It manages these positions with an Asset Liability Management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The Group produces regular reports at portfolio and asset and liability class level that are circulated to the Group's key management personnel. The principal technique of the Group's asset liability management (ALM) is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The Group does not use hedge accounting.

The Group has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the Group's ALM framework.

The Group has exposure to the following risks arising from financial instruments;

###### a) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The primary liquidity risk of the Group is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

### 4.2 Financial risk (continued)

#### a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of short-term insurance contracts as of 31 December 2021.

#### GROUP

	Contractual cash flows (undiscounted)						
	Total amount 31.12.2021 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
<b>Financial assets</b>							
Debt securities held at amortised cost							
- Government securities	777,588	-	235,267	97,618	260,314	65,078	119,311
- Fixed deposits	706,859	-	706,859	-	-	-	-
Debt securities at FVTPL							
- Government securities	104,592	-	-	-	-	-	104,592
Equity securities at FVTPL	13,119	13,119	-	-	-	-	-
Kenya motor pool balances	24,738	24,738	-	-	-	-	-
Subordinated loan	129,033	129,033	-	-	-	-	-
Other receivables	86,555	-	86,555	-	-	-	-
Receivables arising out of reinsurance arrangements	121,234	-	121,234	-	-	-	-
Receivables arising out of direct insurance arrangements	18,483	-	18,483	-	-	-	-
Cash and cash equivalents	40,464	-	40,464	-	-	-	-
<b>Total</b>	<b>2,022,665</b>	<b>166,890</b>	<b>1,208,862</b>	<b>97,618</b>	<b>260,314</b>	<b>65,078</b>	<b>223,903</b>
<b>Financial liabilities</b>							
Insurance contracts-short term	543,480	-	543,480	-	-	-	-
Payables arising from reinsurance arrangements	135,956	-	135,956	-	-	-	-
Payables arising from direct insurance arrangements	51,187	-	51,187	-	-	-	-
Lease liabilities	32,614	-	8,683	10,769	13,162	-	-
Other payables	453,612	-	453,612	-	-	-	-
<b>Total</b>	<b>1,216,849</b>	<b>-</b>	<b>1,192,918</b>	<b>10,769</b>	<b>13,162</b>	<b>-</b>	<b>-</b>
<b>Difference in contractual cash flows</b>	<b>805,816</b>	<b>166,890</b>	<b>15,944</b>	<b>86,849</b>	<b>247,152</b>	<b>65,078</b>	<b>223,903</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

### 4.2 Financial risk (continued)

#### a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of short-term insurance contracts as of 31 December 2020.

#### GROUP

	Contractual cash flows (undiscounted)						
	Total amount 31.12.2020 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
<b>Financial assets</b>							
Debt securities held at amortised cost							
- Government securities	774,213	-	231,892	97,618	260,314	65,078	119,311
- Fixed deposits	1,022,347	-	1,022,347	-	-	-	-
Debt securities at FVTPL	427,345	-	225,785	-	149,080	-	52,480
Equity securities at FVTPL	9,509	9,509	-	-	-	-	-
Kenya motor pool balances	36,703	36,703	-	-	-	-	-
Other receivables	265,264	-	265,264	-	-	-	-
Receivables arising out of reinsurance arrangements	97,910	-	97,910	-	-	-	-
Receivables arising out of direct insurance arrangements	29,525	-	29,525	-	-	-	-
Cash and cash equivalents	36,169	-	36,169	-	-	-	-
<b>Total</b>	<b>2,698,985</b>	<b>46,212</b>	<b>1,908,892</b>	<b>97,618</b>	<b>409,394</b>	<b>65,078</b>	<b>171,791</b>
<b>Financial liabilities</b>							
Insurance contracts-short term	450,662	-	450,662	-	-	-	-
Payables arising from reinsurance arrangements	92,461	-	92,461	-	-	-	-
Payables arising from direct insurance arrangements	51,187	-	51,187	-	-	-	-
Lease liabilities	249,222	-	21,133	19,487	108,430	27,865	72,307
Other payables	532,113	-	532,113	-	-	-	-
<b>Total</b>	<b>1,375,645</b>	<b>-</b>	<b>1,147,556</b>	<b>19,487</b>	<b>108,430</b>	<b>27,865</b>	<b>72,307</b>
<b>Difference in contractual cash flows</b>	<b>1,323,340</b>	<b>46,212</b>	<b>761,336</b>	<b>78,131</b>	<b>300,964</b>	<b>37,213</b>	<b>99,484</b>

**4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)**
**4.2 Financial risk (continued)**
**a) Liquidity risk (continued)**

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of Short-term insurance contracts as of 31 December 2021.

**COMPANY**

	Contractual cash flows (undiscounted)						
	Total amount 31.12.2021 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
<b>Financial assets</b>							
Debt securities held at amortised cost							
- Fixed deposits	555,759	-	555,759	-	-	-	-
Debt securities at FVTPL	104,592	-	-	-	-	-	104,592
Kenya motor pool balances	24,738	24,738	-	-	-	-	-
Cash and cash equivalents	2,379	-	2,379	-	-	-	-
Subordinated loan	129,033	129,033	-	-	-	-	-
Other receivables	43,103	-	43,103	-	-	-	-
<b>Total</b>	<b>859,604</b>	<b>153,771</b>	<b>601,241</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104,592</b>
<b>Financial liabilities</b>							
Payables arising from direct insurance arrangements	51,187	-	51,187	-	-	-	-
Other payables	264,781	-	264,781	-	-	-	-
Payables arising from reinsurance arrangements	3,981	-	3,981	-	-	-	-
<b>Total</b>	<b>319,949</b>	<b>-</b>	<b>319,949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Difference in contractual cash flows</b>	<b>539,655</b>	<b>153,771</b>	<b>281,292</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104,592</b>

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the company's Assets and Liabilities Management (ALM) framework for management of Short-term insurance contracts as of 31 December 2020.

	Contractual cash flows (undiscounted)						
	Total amount 31.12.2020 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
<b>Financial assets</b>							
Debt securities held at amortised cost							
- Fixed deposits	417,747	-	417,747	-	-	-	-
Debt securities at FVTPL	212,056	-	10,496	-	149,080	-	52,480
Kenya motor pool balances	36,703	36,703	-	-	-	-	-
Cash and cash equivalents	2,768	-	2,768	-	-	-	-
Other receivables	43,493	-	43,493	-	-	-	-
<b>Total</b>	<b>712,767</b>	<b>36,703</b>	<b>474,504</b>	<b>-</b>	<b>149,080</b>	<b>-</b>	<b>52,480</b>
<b>Financial liabilities</b>							
Payables arising from direct insurance arrangements	51,187	-	51,187	-	-	-	-
Other payables	147,451	-	147,451	-	-	-	-
Payables arising from reinsurance arrangements	3,981	-	3,981	-	-	-	-
<b>Total</b>	<b>202,619</b>	<b>-</b>	<b>202,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Difference in contractual cash flows</b>	<b>510,148</b>	<b>36,703</b>	<b>271,885</b>	<b>-</b>	<b>149,080</b>	<b>-</b>	<b>52,480</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

### 4.2 Financial risk (continued)

#### a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of long term insurance contracts as of 31 December 2021.

#### GROUP

	Total amount 31.12.2021 Shs'000	Contractual cash flows (undiscounted)					
		No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
<b>Financial assets</b>							
Debt securities held at amortised cost							
- Government securities	157,127,418	-	16,789,791	11,250,630	10,775,522	8,151,092	110,160,383
- Corporate bonds	363,540	-	27,618	27,618	27,618	27,618	253,068
- Fixed deposits	3,891,407	-	1,832,017	2,059,390	-	-	-
Fair value through profit and loss:							
- Equity securities at FVTPL	9,514,758	9,514,758	-	-	-	-	-
- Government securities	64,082,763	-	5,551,803	3,979,671	3,096,030	2,888,737	48,566,522
Mortgage loans	891,743	-	122,653	122,653	122,653	119,169	404,615
Policy loans	1,282,334	-	497,534	311,477	311,477	161,846	-
Other Receivable	753,650	-	753,650	-	-	-	-
Cash and cash equivalents	512,289	-	512,289	-	-	-	-
<b>Total</b>	<b>238,419,902</b>	<b>9,514,758</b>	<b>26,087,355</b>	<b>17,751,439</b>	<b>14,333,300</b>	<b>11,348,462</b>	<b>159,384,588</b>
<b>Financial liabilities</b>							
Insurance contracts-long term	113,634,680	-	6,900,481	6,303,152	6,496,139	6,532,205	87,402,703
Payables under unit linked policies	198,734	-	198,734	-	-	-	-
Payables arising from reinsurance arrangements	19,619	-	19,619	-	-	-	-
Payables under deposit administration contracts	75,519,506	-	6,971,773	4,048,063	4,172,005	4,195,167	56,132,498
Lease Liability	676,349	-	12,469	12,134	60,671	242,682	348,393
Other Payables	902,989	-	902,989	-	-	-	-
<b>Total</b>	<b>190,951,877</b>	<b>-</b>	<b>15,006,065</b>	<b>10,363,349</b>	<b>10,728,815</b>	<b>10,970,054</b>	<b>143,883,594</b>
<b>Difference in contractual cash flows</b>	<b>47,468,025</b>	<b>9,514,758</b>	<b>11,081,290</b>	<b>7,388,090</b>	<b>3,604,485</b>	<b>378,408</b>	<b>15,500,994</b>

**4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)**
**4.2 Financial risk (continued)**
**a) Liquidity risk (continued)**

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of long term insurance contracts as of 31 December 2020.

**GROUP**

	Contractual cash flows (undiscounted)						
	Total amount 31.12.2020 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
<b>Financial assets</b>							
Debt securities held at amortised cost							
- Government securities	117,625,074	-	11,509,543	10,612,233	9,505,310	9,026,081	76,971,907
- Corporate bonds	487,214	-	170,671	316,543	-	-	-
- Fixed deposits	3,098,543	-	2,435,267	633,519	26,956	2,801	-
Fair value through profit and loss:							
- Equity securities at FVTPL	7,756,543	7,756,543	-	-	-	-	-
- Government securities	57,668,867	-	3,146,033	4,774,356	3,646,006	3,002,366	43,100,106
Mortgage loans	759,144	-	119,081	119,081	119,081	119,081	282,820
Policy loans	696,832	-	117,834	389,070	-	-	189,928
Other Receivable	769,065	-	769,065	-	-	-	-
Cash and cash equivalents	154,041	-	154,041	-	-	-	-
<b>Total</b>	<b>189,015,323</b>	<b>7,756,543</b>	<b>18,421,535</b>	<b>16,844,802</b>	<b>13,297,353</b>	<b>12,150,329</b>	<b>120,544,761</b>
<b>Financial liabilities</b>							
Insurance contracts-long term	45,543,712	-	604,215	1,079,070	1,227,191	1,789,136	40,844,100
Payables under unit linked policies	208,208	-	208,208	-	-	-	-
Payables arising from reinsurance arrangements	83,655	-	83,655	-	-	-	-
Payables under deposit administration contracts	64,439,693	-	64,439,693	-	-	-	-
Lease Liability	1,145,578	-	175,177	162,165	169,468	173,045	465,723
Other Payables	1,017,367	-	1,017,367	-	-	-	-
<b>Total</b>	<b>112,438,213</b>	<b>-</b>	<b>66,528,315</b>	<b>1,241,235</b>	<b>1,396,659</b>	<b>1,962,181</b>	<b>41,309,823</b>
<b>Difference in contractual cash flows</b>	<b>76,577,110</b>	<b>7,756,543</b>	<b>(48,106,780)</b>	<b>15,603,567</b>	<b>11,900,694</b>	<b>10,188,148</b>	<b>79,234,938</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

### 4.2 Financial risk (continued)

#### a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of long-term insurance contracts as of 31 December 2021.

#### COMPANY

	Total amount 31.12.2021 Shs'000	No stated Maturity Shs'000	Contractual cash flows (undiscounted)				
			0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
<b>Financial assets</b>							
Debt securities held at amortised cost							
- Government securities	152,827,785	-	12,490,158	11,250,630	10,775,522	8,151,092	110,160,383
- Corporate bonds	363,540	-	27,618	27,618	27,618	27,618	253,068
- Deposit with financial institutions	3,231,183	-	1,171,793	2,059,390	-	-	-
Fair value through profit and loss:							
- Equity securities held at FVTPL	9,345,877	9,345,877	-	-	-	-	-
- Government securities	64,082,763	-	5,551,803	3,979,671	3,096,030	2,888,737	48,566,522
Mortgage loans	891,743	-	122,653	122,653	122,653	119,169	404,615
Policy loans	1,096,277	-	311,477	311,477	311,477	161,846	-
Other receivables	702,989	-	702,989	-	-	-	-
Cash and bank balances	438,875	-	438,875	-	-	-	-
<b>Total</b>	<b>232,981,032</b>	<b>9,345,877</b>	<b>20,817,366</b>	<b>17,751,439</b>	<b>14,333,300</b>	<b>11,348,462</b>	<b>159,384,588</b>
Long term insurance liabilities							
Insurance contracts - long term	113,473,713	-	6,739,514	6,303,152	6,496,139	6,532,205	87,402,703
Payables under unit linked policies	198,734	-	198,734	-	-	-	-
Less assets arising from reinsurance contracts	-	-	-	-	-	-	-
Payable arising from reinsurance contracts	-	-	-	-	-	-	-
Payables under deposit administration contracts	72,876,040	-	4,328,307	4,048,063	4,172,005	4,195,167	56,132,498
Lease Liability	506,781	-	8,913	9,257	46,283	185,131	257,197
Other payables	662,158	-	662,158	-	-	-	-
<b>Total</b>	<b>187,717,426</b>	<b>-</b>	<b>11,937,626</b>	<b>10,360,472</b>	<b>10,714,427</b>	<b>10,912,503</b>	<b>143,792,398</b>
<b>Difference in contractual cash flows</b>	<b>45,263,606</b>	<b>9,345,877</b>	<b>8,879,740</b>	<b>7,390,967</b>	<b>3,618,873</b>	<b>435,959</b>	<b>15,592,190</b>

#### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

##### 4.2 Financial risk (continued)

##### a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of long-term insurance contracts as of 31 December 2020.

#### COMPANY

	Contractual cash flows (undiscounted)						
	Total amount 31.12.2020 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
<b>Financial assets</b>							
Debt securities held at amortised cost							
- Government securities	114,308,685	-	8,193,153	10,612,233	9,505,310	9,026,082	76,971,907
- Corporate bonds	487,214	-	170,671	316,543	-	-	-
- Deposit with financial institutions	2,727,823	-	2,064,547	633,519	26,956	2,801	-
Fair value through profit and loss:							
- Equity securities held at FVTPL	7,665,131	7,665,131	-	-	-	-	-
- Government securities	57,668,867	-	3,146,033	4,774,356	3,646,006	3,002,366	43,100,106
Mortgage loans	759,144	-	119,081	119,081	119,081	119,081	282,820
Policy loans	544,345	-	85,636	268,781	-	-	189,928
Other receivables	688,778	-	688,778	-	-	-	-
<b>Cash and bank balances</b>	88,055	-	88,055	-	-	-	-
<b>Total</b>	<b>184,938,042</b>	<b>7,665,131</b>	<b>14,555,954</b>	<b>16,724,513</b>	<b>13,297,353</b>	<b>12,150,330</b>	<b>120,544,761</b>
Long term insurance liabilities							
Insurance contracts - long term	45,419,066	-	479,569	1,079,070	1,227,191	1,789,136	40,844,100
Payables under unit linked policies	208,208	-	208,208	-	-	-	-
Less assets arising from reinsurance contracts	-	-	-	-	-	-	-
Payable arising from reinsurance contracts	55,305	-	55,305	-	-	-	-
Payables under deposit administration contracts	62,603,711	-	62,603,711	-	-	-	-
Lease Liability	907,007	-	100,184	107,640	114,941	118,519	465,723
<b>Other payables</b>	776,996	-	776,996	-	-	-	-
<b>Total</b>	<b>109,970,293</b>	<b>-</b>	<b>64,223,973</b>	<b>1,186,710</b>	<b>1,342,132</b>	<b>1,907,655</b>	<b>41,309,823</b>
<b>Difference in contractual cash flows</b>	<b>74,967,749</b>	<b>7,665,131</b>	<b>(49,668,019)</b>	<b>15,537,803</b>	<b>11,955,221</b>	<b>10,242,675</b>	<b>79,234,938</b>

#### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

##### 4.2 Financial risk (continued)

##### b) Market risk

##### (i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the financial instruments as the carrying amounts of the latter are not directly affected by changes in market risks.

The Group's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 1 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the Group's overall exposure to interest rate sensitivities included in the Group's ALM framework and its impact in the Group's profit or loss by business.

An increase/decrease of one percentage point in interest yields would result in additional profit/loss for the year of Shs 962 million (2020:Shs 543 million) investment income in long-term business and Shs 6 million (2020:Shs 16 million) in short-term business.

As at 31 December, the Group had the following interest bearing financial assets.

##### GROUP

##### Assets

	Long term business 2021 Shs'000	Short term business and Investment Activities 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
Mortgage loans	651,482	-	651,482	604,372
Policy loans	864,831	-	864,831	696,832
Corporate bonds held at amortised cost	229,908	-	229,908	430,390
Government securities held at amortised cost	69,700,524	806,758	70,507,282	57,210,403
Government securities held at FVTPL	27,003,765	104,548	27,108,313	25,055,154
Deposits with financial institutions	3,523,419	706,859	4,230,278	3,896,186
<b>Total interest bearing assets</b>	<b>101,973,929</b>	<b>1,618,165</b>	<b>103,592,094</b>	<b>87,893,337</b>

##### COMPANY

##### Assets

Mortgage loans	651,482	-	651,482	604,372
Policy loans	678,774	-	678,774	544,345
Corporate bonds held at amortised cost	229,908	-	229,908	430,390
Government securities held at amortised cost	65,400,891	37,328	65,438,219	53,320,522
Government securities held at FVTPL	27,003,765	104,548	27,108,313	24,839,865
Deposits with financial institutions	2,905,343	555,759	3,461,102	2,960,618
<b>Total interest bearing assets</b>	<b>96,870,163</b>	<b>697,635</b>	<b>97,567,798</b>	<b>82,700,112</b>

#### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

##### 4.2 Financial risk (continued)

##### b) Market risk (continued)

##### (ii) Currency risk

Foreign exchange currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. The currency risk is also effectively managed by ensuring that the transactions between the Group and other parties are designated in the functional currencies of the individual Group companies.

At 31 December 2021, if the Kenyan shilling had weakened/strengthened by 1% against the Ugandan shilling with all other variables held constant the profit before tax for the year would have been increased/decreased by Kshs 4.1 million (2020: Kshs 3.1 million) mainly as a result of ICEA LION Life Assurance (Uganda) Company Limited and ICEA LION General Insurance (Uganda) Company Limited operations.

##### c) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from corporate bond issuers

- Cash and cash equivalents (including fixed deposits)
- Government securities

The Group manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Groups of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalization of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

The Group has in place a well - developed counterparty model that is used to evaluate banks where the Group can place bank deposits. The model has incorporated Bank performance, governance structures and asset quality in arriving at counter party scores. The counter party model is reviewed bi-annually and banks that do not meet the deposit placement criteria and dropped from the approved bank deposit placement institutions.

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs.

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The tables below represent the maximum credit risk exposure to the Group attributable to receivables arising out of direct insurance and reinsurance contracts as at 31 December 2021 and 2020.

#### GROUP

##### 31 December 2021

Government securities held at amortised cost  
 Government securities held at FVTPL  
 Receivables arising from insurance contracts held  
 Receivables arising from reinsurance contracts held  
 Mortgage loans  
 Policy loans  
 Corporate bonds held at amortised cost  
 Deposits with financial institutions  
 Cash and bank balances  
 Other receivables

	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held at amortised cost	70,576,107	(68,869)	70,507,238
Government securities held at FVTPL	27,108,357	-	27,108,357
Receivables arising from insurance contracts held	18,483	-	18,483
Receivables arising from reinsurance contracts held	130,703	-	130,703
Mortgage loans	653,376	(1,894)	651,482
Policy loans	866,826	(1,995)	864,831
Corporate bonds held at amortised cost	230,230	(322)	229,908
Deposits with financial institutions	4,253,886	(23,608)	4,230,278
Cash and bank balances	557,721	(5,012)	552,709
Other receivables	894,665	(22,621)	872,044
	<b>105,290,354</b>	<b>(124,321)</b>	<b>105,166,033</b>

#### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

##### 4.2 Financial risk (continued)

##### c) Credit risk (continued)

Management continues to actively follow up past due and impaired receivables.

Management makes regular reviews to assess the degree of compliance with the Group's procedures on credit. Exposures to individual policyholders and Groups of policyholders are tracked within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous Groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

##### GROUP

##### 31 December 2020

Government securities held at amortised cost
Government securities held at FVTPL
Receivables arising from insurance contracts held
Receivables arising from reinsurance contracts held
Mortgage loans
Policy loans
Corporate bonds held at amortised cost
Deposits with financial institutions
Cash and bank balances
Other receivables

##### Classification of credit risk bearing assets

The tables below represent the maximum credit risk exposure to the Group attributable to receivables arising out of direct insurance and reinsurance contracts as at 31 December 2021 and 2020.

	Impairment allowances	Total
Shs'000	Shs'000	Shs'000
57,267,991	(57,588)	57,210,403
25,055,154	-	25,055,154
29,525	-	29,525
97,910	-	97,910
607,307	(2,935)	604,372
698,234	(1,402)	696,832
431,599	(1,209)	430,390
3,915,748	(19,562)	3,896,186
190,482	(272)	190,210
1,045,111	(10,782)	1,034,329
<b>89,339,061</b>	<b>(93,750)</b>	<b>89,245,311</b>

**4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)**
**4.2 Financial risk (continued)**
**c) Credit risk (continued)**
**COMPANY**
**31 December 2021**

Government securities held at amortised cost
Government securities held at FVTPL
Mortgage loans
Policy loans
Subordinated loan
Corporate bonds held at amortised cost
Deposits with financial institutions
Cash and bank balances
Other receivables

Carrying amounts	Impairment allowances	Total
Shs'000	Shs'000	Shs'000
65,501,997	(63,821)	65,438,176
27,108,357	-	27,108,357
653,376	(1,894)	651,482
680,769	(1,995)	678,774
129,033	-	129,033
230,230	(322)	229,908
3,482,853	(21,751)	3,461,102
443,934	(2,680)	441,254
746,092	-	746,092
<b>98,976,641</b>	<b>(92,463)</b>	<b>98,884,178</b>

**COMPANY**
**31 December 2020**

Government securities held at amortised cost
Government securities held at FVTPL
Mortgage loans
Policy loans
Corporate bonds held at amortised cost
Deposits with financial institutions
Cash and bank balances
Other receivables

Carrying amounts	Impairment allowances	Total
Shs'000	Shs'000	Shs'000
53,374,368	(53,846)	53,320,522
24,839,865	-	24,839,865
607,307	(2,935)	604,372
545,747	(1,402)	544,345
431,599	(1,209)	430,390
2,973,142	(12,524)	2,960,618
90,511	312	90,823
732,271	-	732,271
<b>83,594,810</b>	<b>(71,604)</b>	<b>83,523,206</b>

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The past due debtors are not impaired and continue to be paid. The group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

Management makes regular reviews to assess the degree of compliance with the Group's procedures on credit. Exposures to individual policyholders and Groups of policyholders are tracked within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous Groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

**4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)**
**4.2 Financial risk (continued)**
**c) Credit risk (continued)**
**Group**

	Opening ECL Shs'000	Additional Shs'000	Reversal Shs'000	Closing ECL Shs'000
Government securities held at amortised cost	57,588	10,980	-	68,568
Treasury Bills held at amortised cost	-	301	-	301
Deposits with financial institutions	15,074	(147)	-	14,927
Corporate bonds held at amortised cost	1,209	-	(887)	322
Mortgage loans	2,935	-	(1,040)	1,895
Policy Loans	1,402	593	-	1,995
Receivables arising from insurance contracts held	-	-	-	-
Receivables arising from reinsurance contracts held	1,416	19,626	-	21,042
ILAM	4,487	4,193	-	8,680
Other receivables	9,366	(7,787)	-	1,579
Cash and bank balances	272	4,740	-	5,012
<b>Total</b>	<b>93,749</b>	<b>32,499</b>	<b>(1,927)</b>	<b>124,321</b>
<b>Company</b>				
Government securities held at amortised cost	53,846	9,675	-	63,521
Treasury Bills held at amortised cost	-	301	-	301
Deposits with financial institutions	8,036	5,034	-	13,070
Corporate bonds held at amortised cost	1,209	-	(887)	322
Mortgage loans	2,935	-	(1,040)	1,895
Policy Loans	1,402	593	-	1,995
ILAM	4,487	4,193	-	8,680
Cash and bank balances	(312)	2,992	-	2,680
<b>Total</b>	<b>71,603</b>	<b>22,788</b>	<b>(1,927)</b>	<b>92,464</b>

**(d) Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

#### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

##### 4.2 Financial risk (continued)

##### (d) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities measured at fair value at 31 December 2021 and 31 December 2020.

##### GROUP

##### 31 December 2021

Financial assets at fair value through profit or loss

- Equity securities
- Government securities held at FVTPL

##### Total financial assets

##### 31 December 2020

Financial assets at fair value through profit or loss

- Equity securities
- Government securities held at FVTPL

##### Total financial assets

	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Total Shs '000
Financial assets at fair value through profit or loss				
- Equity securities	9,677,877	-	-	9,527,877
- Government securities held at FVTPL	27,108,357	-	-	27,108,357
<b>Total financial assets</b>	<b>36,786,234</b>	<b>-</b>	<b>-</b>	<b>36,786,234</b>
Financial assets at fair value through profit or loss				
- Equity securities	7,766,052	-	-	7,766,052
- Government securities held at FVTPL	25,055,154	-	-	25,055,154
<b>Total financial assets</b>	<b>32,821,206</b>	<b>-</b>	<b>-</b>	<b>32,821,206</b>

There were no transfers between levels 1, 2 and 3 in the period (2020: None).

##### Reconciliation of level 3 fair value measurements

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The following table presents the Company's financial assets and liabilities measured at fair value at 31 December 2021 and 31 December 2020.

##### COMPANY

##### 31 December 2021

Financial assets at fair value through profit or loss

- Equity securities
- Government securities held at FVTPL

##### Total financial assets

##### 31 December 2020

Financial assets at fair value through profit or loss

- Equity securities
- Government securities held at FVTPL

##### Total financial assets

	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Total Shs '000
Financial assets at fair value through profit or loss				
- Equity securities	9,495,877	-	-	9,495,877
- Government securities held at FVTPL	27,108,357	-	-	27,108,357
<b>Total financial assets</b>	<b>36,604,234</b>	<b>-</b>	<b>-</b>	<b>36,604,234</b>
Financial assets at fair value through profit or loss				
- Equity securities	7,665,131	-	-	7,665,131
- Government securities held at FVTPL	24,839,865	-	-	24,839,865
<b>Total financial assets</b>	<b>32,504,996</b>	<b>-</b>	<b>-</b>	<b>32,504,996</b>

### 4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

#### 4.2 Financial risk (continued)

##### (d) Equity price risk

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

The group is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities Exchange and on the Kampala Stock Exchange which are classified at fair value through profit or loss. Exposure to equity price risk in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

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

At 31 December 2021, if equity market indices had increased/decreased by 5%, with all other variables held constant, the group profit before tax for the year would increase/ decrease by Ksh 476,393,850 (2020: increase/decrease by Ksh 388,302,000).

At 31 December 2021, if equity market indices had increased/decreased by 5%, with all other variables held constant, the company profit before tax for the year would increase/decrease by Ksh 467,293,835 (2020: increase/decrease by Ksh 383,256,000).

##### (e) Capital management

The Group maintains an efficient capital structure from a combination of equity shareholders' funds and borrowings, consistent with the Group's risk profile and the regulatory and market requirements of its business.

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to maintain financial strength to support new business growth
- to satisfy the requirements of its policyholders, regulators and rating agencies
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- to allocate capital efficiently to support growth
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Group's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Group is focused on the creation of value for shareholders.

**4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)**

**4.2 Financial risk (continued)**

**(e) Capital management (continued)**

The Group has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The Group considers not only the traditional sources of capital funding but also the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Group manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Group manages capital in accordance with these rules and has embedded in its ALM framework the necessary tests to ensure continuous and full compliance with such regulations. The Group has complied with all externally imposed capital requirements throughout the year.

Insurance entities in Kenya are governed by the Insurance Act and as such are subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities.

The new capital requirements (Risk Based Capital) were introduced in the Finance Act, 2015. Insurance companies are required to hold paid up capital by 31<sup>st</sup> December 2020; the higher of:-

- (i) Shs 400 million; or
- (ii) risk based capital determined by the Insurance Regulatory Authority (IRA) from time to time; or
- (iii) 5% of the liabilities of the life business for the financial year.

In line with risk-based methodology, IRA has developed a Risk Based Capital (RBC) model, which is aimed at introducing capital requirements that are commensurate to the levels of risk being undertaken, and provide appropriate incentives for good risk management. The RBC model is a factor-based model that computes the capital requirement based on four risk segments: insurance, market, credit and operational risk.

The Company's Capital adequacy ratio position as at 31 December 2021 is as shown below;

	2021 Shs'000	2020 Shs'000
Available Capital	15,328,431	13,257,465
Required Capital	4,856,169	4,166,089
Capital Adequacy ratio	<b>316%</b>	<b>318%</b>
Required Capital Adequacy ratio	<b>200%</b>	<b>200%</b>

In Uganda, statutory capital is based on Section 6 of the Insurance Act, 2011.

The Uganda Insurance Act require each insurance company to hold the minimum level of paid up capital as follows;

- General insurance business companies: Ushs 4 billion and
- Long term insurance business companies: Ushs 3 billion

The Insurance Act, 2011 further requires that 2% of the gross written premium or 15% of the net profit, whichever is greater, be transferred to the contingency reserve until it equals the minimum paid up capital or 50% of the current year's net written premium, whichever is higher.

Additionally, for a general insurance company, the Insurance Act, 2011 requires that 5% of the net profit for the year be transferred to the capital reserve.

The two insurance companies in Uganda complied with these requirements during the year.

## 5. GROSS EARNED PREMIUMS

The premium income of the Group is analysed between the main classes of business as shown below:

### Long-term business

Ordinary life  
Group life  
Group Credit  
Annuity

### Short-term business

Motor  
Fire  
Personal accident  
Other

	Group		Company	
	2021 Shs '000	2020 Shs '000	2021 Shs '000	2020 Shs '000
	4,471,152	3,635,400	3,663,225	3,041,711
	724,427	481,525	454,384	326,242
	201,935	241,105	201,935	191,734
	2,736,173	1,291,990	2,736,174	1,275,387
	<b>8,133,687</b>	<b>5,650,020</b>	<b>7,055,718</b>	<b>4,835,074</b>
	234,494	239,212	-	-
	119,303	106,423	-	-
	109,457	104,853	-	-
	434,138	292,517	-	-
	<b>897,392</b>	<b>743,005</b>	-	-
	<b>9,031,079</b>	<b>6,393,025</b>	<b>7,055,718</b>	<b>4,835,074</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 6. INVESTMENT INCOME

### GROUP

#### *Investments held to maturity*

	Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000
Interest from government securities	11,055,651	139,746	11,195,397	9,042,348	107,591	9,149,939
Interest from corporate bonds	28,980	-	28,980	84,043	-	84,043
Interest from unit trusts	-	-	-	18,747	333	19,080
Interest from bank deposit	183,537	31,111	214,648	272,186	40,069	312,255
	<b>11,268,168</b>	<b>170,857</b>	<b>11,439,025</b>	<b>9,417,324</b>	<b>147,993</b>	<b>9,565,317</b>

#### *Investments at fair value through profit or loss*

Fair value gains/(loss) on equity investments	1,009,378	(205)	1,009,173	(1,337,987)	(689)	(1,338,676)
Dividends receivable from equity investments	289,916	31,484	321,400	324,837	31,539	356,376
(Loss)/gain on disposal of equity investments	26,792	-	26,792	(3,830)	-	(3,830)
Gain on disposal of bonds	41,447	(307)	41,140	73,510	-	73,510
Fair value loss on treasury bonds at fair value	(475,088)	(8,385)	(483,473)	213,480	(11,145)	202,335
Fair value gains/(loss) on unit trusts	109,207	12,335	121,542	(70,315)	(24)	(70,339)
Interest income on treasury bonds	-	-	-	-	24,371	24,371
Interest income on unit trusts	-	-	-	-	23,742	23,742
I-REIT income	1,995	-	1,995	-	-	-
	<b>1,003,647</b>	<b>34,922</b>	<b>1,038,569</b>	<b>(800,305)</b>	<b>67,794</b>	<b>(732,511)</b>

#### *Loans and receivables*

Loan interest receivable-mortgages	92,382	-	92,382	89,751	-	89,751
Loan interest receivable-policy loans	109,347	-	109,347	72,732	-	72,732
	<b>201,729</b>	<b>-</b>	<b>201,729</b>	<b>162,483</b>	<b>-</b>	<b>162,483</b>

Investment properties						
Fair value (loss)/gains on investment properties (Note 17)	(178,313)	(85,327)	(263,640)	(171,690)	(2,161)	(173,851)
Gain on disposal of Property investments	2,000	-	2,000	-	-	-
Rental income from investment properties	413,314	23,643	436,957	469,699	34,395	504,094
	<b>237,001</b>	<b>(61,684)</b>	<b>175,317</b>	<b>298,009</b>	<b>32,234</b>	<b>330,243</b>

Investment Expenses	(117,045)	(1,208)	(118,253)	-	-	-
<b>Net investment income</b>	<b>12,593,500</b>	<b>142,887</b>	<b>12,736,387</b>	<b>9,077,511</b>	<b>248,021</b>	<b>9,325,532</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 6. INVESTMENT INCOME (CONTINUED)

### COMPANY

#### *Investments held to maturity*

	Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000
Interest from government securities	10,517,737	35,047	10,552,784	8,671,579	25,037	8,696,616
Interest from corporate bonds	28,980	-	28,980	84,043	-	84,043
Interest from unit trusts	-	-	-	18,747	333	19,080
Interest from bank deposits	143,833	21,690	165,523	231,008	32,899	263,907
	<b>10,690,550</b>	<b>56,737</b>	<b>10,747,287</b>	<b>9,005,377</b>	<b>58,269</b>	<b>9,063,646</b>

#### *Investments at fair value through profit or loss*

Fair value gain /(loss) on equity investments (Note 18)	1,009,655	-	1,009,655	(1,331,117)	-	(1,331,117)
Dividends receivable from equity investments	284,314	30,908	315,222	323,435	75,908	399,343
Gain/(Loss) on disposal of equity investments	26,792	-	26,792	(3,830)	-	(3,830)
Gain on disposal of treasury bonds	41,447	(307)	41,140	73,510	-	73,510
Fair value (Loss)/gain on treasury bonds	(475,088)	(8,385)	(483,473)	213,480	(11,887)	201,593
Fair value gain /(loss) on unit trusts	107,735	12,335	120,070	(70,747)	-	(70,747)
I-REIT income	1,995	-	1,995	-	-	-
	<b>996,850</b>	<b>34,551</b>	<b>1,031,401</b>	<b>(795,269)</b>	<b>64,021</b>	<b>(731,248)</b>

#### *Loans and receivables*

Loan interest receivable-mortgages	92,382	-	92,382	89,739	-	89,739
Loan interest receivable-policy loans	88,278	-	88,278	56,895	-	56,895
	<b>180,660</b>	<b>-</b>	<b>180,660</b>	<b>146,634</b>	<b>-</b>	<b>146,634</b>

#### *Investment properties*

Fair value loss on investment properties (Note 17)	(178,313)	(85,327)	(263,640)	(171,690)	(2,161)	(173,851)
Gain on disposal of Property investments	2000	-	2000	-	-	-
Rental income from investment properties	413,314	23,643	436,957	471,695	34,395	506,090
	<b>237,001</b>	<b>(61,684)</b>	<b>175,317</b>	<b>300,005</b>	<b>32,234</b>	<b>332,239</b>
Investment Expenses	(117,045)	(1,208)	(118,253)	(101,833)	(1,396)	(103,229)
<b>Net investment income</b>	<b>11,988,016</b>	<b>28,396</b>	<b>12,016,412</b>	<b>8,554,914</b>	<b>153,128</b>	<b>8,708,042</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 7. OTHER OPERATING INCOME

### GROUP

Others  
Allowance for expected credit losses

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
46,896	5,095	51,991	54,595
-	-	-	5,613
<b>46,896</b>	<b>5,095</b>	<b>51,991</b>	<b>60,208</b>

### COMPANY

Others  
Allowance for expected credit losses

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
44,445	2,641	47,086	35,876
-	-	-	3,806
<b>44,445</b>	<b>2,641</b>	<b>47,086</b>	<b>39,682</b>

Others (referred above) is mainly made up of withdrawal penalties and interest on staff advances and car loans.

## 8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

### GROUP

#### Long term insurance business

Death and disability claims  
Life maturity claims  
Surrenders  
Annuity payments  
Interest payable to policy holders and on deposit admin contracts  
Increase in actuarial liabilities  
Reinsurance recoveries

2021 Shs'000	2020 Shs'000
571,396	561,291
1,865,134	1,410,972
349,128	252,339
1,535,989	1,190,740
6,228,705	4,730,685
3,728,650	2,546,311
(217,439)	(320,940)
<b>14,061,563</b>	<b>10,371,398</b>

#### General insurance business

Motor  
Fire  
Personal accident  
Other  
Change in claim reserves  
Reinsurance recoveries

90,450	59,067
6,807	39,528
29,373	53,719
167,719	191,987
14,272	-
(160,889)	(230,133)
<b>147,732</b>	<b>114,168</b>
<b>14,209,295</b>	<b>10,485,566</b>

**Total claims and policy holder benefits payable**

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE (continued)

### COMPANY

#### Long term insurance business

Death and disability claims	
Life maturity claims	
Surrenders	
Annuity payments	
Interest payable to policy holders and on deposit administration contracts	
Increase /(decrease) in actuarial liabilities	
Reinsurance recoveries	

	2021	2020
	Shs'000	Shs'000
	318,312	456,306
	1,582,285	1,259,714
	349,127	252,339
	1,535,989	1,190,740
	5,999,234	4,576,222
	3,508,276	2,352,370
	(70,078)	(281,114)
	<b>13,223,145</b>	<b>9,806,577</b>

## 9. (a) OTHER OPERATING EXPENSES

### GROUP

Employee benefit expense (see note below)	
Auditors' remuneration	
Directors' emoluments	
Depreciation (Note 14)	
Amortization (Note 15)	
Repairs and maintenance expenditure	
Rental charges	
Depreciation charge on ROUA (Note 16)	
Legal Fees	
Business promotions	
Insurance expenses	
Bank charges	
Printing & stationery	
Premium tax	
Fund Administration fees	
Technology expenditure	
Professional fees	
Communication expenditure	
Other	

	2021	2020
	Shs'000	Shs'000
	926,687	1,027,270
	8,207	9,273
	11,062	6,374
	81,277	66,100
	8,852	61,109
	3,099	3,889
	9,965	13,401
	90,045	124,457
	838	(863)
	63,860	118,888
	30,814	55,852
	40,377	41,268
	22,664	19,131
	70,359	50,100
	32,309	30,218
	78,231	102,042
	15,959	21,280
	21,353	21,720
	239,730	176,050
	<b>1,755,688</b>	<b>1,947,559</b>

Key items included in other expenses are fund medical expenses, stamp duty, corporate trustee fees, office tea and consumables, check-off administration fees and policy holders protection levy.

**9. (a) OTHER OPERATING EXPENSES (CONTINUED)**
**Employee benefit expense**

Employee benefit expense comprise the following:

- Salaries and wages
- NSSF costs
- Defined contribution scheme
- Performance bonus
- Medical expenses
- Training
- Travelling allowance
- Commuter allowance
- Subscription professional staff
- Staff mortgage subsidy
- Staff housing
- **Other Employee benefits**

	2021	2020
	Shs'000	Shs'000
	580,996	772,779
	23,556	17,699
	41,948	84,455
	130,205	19,614
	44,979	43,203
	11,131	10,203
	40,431	45,782
	-	5,622
	738	1,664
	16,907	23,771
	12,006	2,478
	23,790	-
	<b>926,687</b>	<b>1,027,270</b>

**COMPANY**

Employee benefit expense (see note below)

- Auditors' remuneration
- Directors' emoluments
- Depreciation (Note 14)
- Amortization (Note 15)
- Repairs and maintenance expenditure
- Rental charges
- Depreciation charge on ROUA (Note 16)
- Business promotions
- Insurance expenses
- Bank charges
- Printing & stationery
- Premium tax
- Fund Administration fees
- Technology expenditure
- Professional fees
- Communication expenditure
- Other

	636,066	577,308
	4,838	4,616
	6,050	3,180
	59,839	44,826
	7,890	10,686
	1,693	1,968
	8,953	10,409
	50,738	55,314
	54,889	89,578
	30,358	30,098
	28,210	26,745
	11,165	10,262
	43,271	37,876
	32,309	30,045
	60,536	61,797
	14,405	15,779
	11,912	9,910
	152,975	113,243
	<b>1,216,097</b>	<b>1,133,640</b>

Key items included in other expenses are fund medical expenses, stamp duty, corporate trustee fees, office tea and consumables, check-off administration fees and policy holders protection levy.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 9. (a) OTHER OPERATING EXPENSES (CONTINUED)

### Employee benefit expense

Employee benefit expense comprise the following:

- Salaries and wages
- NSSF costs
- Defined contribution scheme
- Performance bonus
- Medical expenses
- Training
- Travelling allowance
- Subscription professional staff
- Staff mortgage subsidy
- Other Employee benefits

	2021 Shs'000	2020 Shs'000
	393,085	421,599
	355	390
	33,743	63,437
	107,713	9,802
	30,672	30,160
	7,535	6,808
	32,339	29,739
	370	364
	16,738	15,009
	13,516	-
	<b>636,066</b>	<b>577,308</b>

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

- Business Development
- Operations
- Management and administration

GROUP		COMPANY	
2021	2020	2021	2020
52	67	27	21
151	204	91	103
40	41	22	16
<b>243</b>	<b>312</b>	<b>140</b>	<b>140</b>

## 9. (b) FINANCE COST

Interest on lease liabilities (Note 38)

GROUP		COMPANY	
2021 Ksh'000	2020 Ksh'000	2021 Ksh'000	2020 Ksh'000
67,809	101,583	64,122	66,214
<b>67,809</b>	<b>101,583</b>	<b>64,122</b>	<b>66,214</b>

## 10. (a) INCOME TAX EXPENSE

- Current income tax
- Deferred income tax charge / (credit) (Note 35)

### Income tax expense

GROUP		COMPANY	
2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
450,515	345,366	324,434	176,345
611,005	(217,474)	610,858	(240,798)
<b>1,061,520</b>	<b>127,892</b>	<b>935,292</b>	<b>(64,453)</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 10. INCOME TAX EXPENSE (CONTINUED)

During the year the group's tax rate reverted back to 30% for company and subsidiaries in Kenya from 25% in 2020 being part of tax amendments by the government to cushion businesses following the impact of COVID-19.

The income tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

During the year the Company's tax rate was 30%.

The income tax expense on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Profit before income tax  
Tax calculated at 30% (2020:25%) for company and its subsidiaries in Kenya and 30% (2020:30%) for subsidiaries in Uganda

### Tax effects of:

- Income not subject to tax\*
- Expenses not deductible for tax purposes\*\*

### Income tax expense/(credit)

GROUP		COMPANY	
2021	2020	2021	2020
Shs'000	Shs'000	Shs'000	Shs'000
3,894,255	2,203,713	3,440,104	1,517,398
1,168,277	585,185	1,032,031	379,350
(773,126)	(1,003,258)	(760,134)	(957,873)
666,369	545,965	663,395	514,070
<b>1,061,520</b>	<b>127,892</b>	<b>935,292</b>	<b>(64,453)</b>

\* For long-term business, only the amount transferred to shareholders is subject to tax on condition that the company expenditure is within the permitted expenditure as per the Insurance Act.

\*\* For Long-term businesses in Kenya and Uganda, all expenses are allowable for tax purposes as long they are within the permitted expenditure as per the Insurance Act.

## 10. (b) INCOME TAX MOVEMENT

	GROUP				COMPANY			
	2021 Long Term Shs'000	2021 Short Term Shs'000	2021 Total Shs'000	2020 Total Shs'000	2021 Long Term Shs'000	2021 Short Term Shs'000	2021 Total Shs'000	2020 Total Shs'000
At 1 January 2021	(43,039)	(30,710)	(73,749)	(74,512)	5,860	(19,381)	(13,521)	(5,141)
Current year taxation charge	400,449	50,067	450,516	345,366	300,000	24,434	324,434	176,345
Withholding tax recovered	(10,969)	-	(10,969)	(10,234)	(10,969)	-	(10,969)	(10,234)
Tax paid	(139,058)	(162,090)	(301,148)	(336,527)	(46,629)	(136,947)	(183,576)	(174,491)
Exchange difference	710	(730)	(20)	(8,965)	-	-	-	-
<b>At 31 December 2021</b>	<b>208,093</b>	<b>(143,463)</b>	<b>64,630</b>	<b>(84,872)</b>	<b>248,262</b>	<b>(131,894)</b>	<b>116,368</b>	<b>(13,521)</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 11. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Profit for the year (Shs' 000)  
Number of ordinary shares  
Basic earnings/(loss) per share (Shs)

Group		Company	
2021	2020	2021	2020
Shs'000	Shs'000	Shs'000	Shs'000
2,832,732	2,075,821	2,504,809	1,581,849
56,250	22,500	56,250	22,500
<b>50.36</b>	<b>92.26</b>	<b>44.53</b>	<b>70.30</b>

The basic earnings per share is the same as the diluted earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

## 12. RESERVES

### Statutory reserves

The statutory reserve relates to;

Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings.

- (i) The surplus on the long term business which is not distributable as dividends as per the requirements of the Insurance Act.
- (ii) The contingency reserve under the Uganda subsidiary which is set up under Section 47(2) (c) of the Uganda Insurance Statute 1996. The reserve is provided for at the greater of 2% of the gross premium income, and 15% of net profit each year effective from 1996 and is required to accumulate until it reaches the greater of either minimum paid up capital or 50% of the net premiums written.

### Currency translation reserve

Currency translation reserve relates to translation gains and losses arising as a result of translating opening balances using exchange rates at the close of the period rather than exchange rates at the beginning of the period on consolidation of the subsidiaries.

### Currency translation reserve

Revaluation reserve relates to gains and losses arising as a result of revaluation of equity investments held at fair value through other comprehensive income.

## 13. DIVIDENDS

In respect of 2021, a special dividend of Shs 1,826,250,000 was paid. The directors recommend a final dividend of Kshs 12.44 per share amounting to Kshs 700 million. (2020: Shs 19.33. per share amounting to Shs 435 million).

**14. MOTOR VEHICLE & EQUIPMENT**
**GROUP**
**COST**

At 1 January 2020

Reclassified to intangible assets

Additions

Disposals

Exchange difference

**At 31 December 2020**
**Balance as at 1 January 2021**

Disposal of subsidiary assets

Additions

Disposals

Exchange difference

**At 31 December 2021**
**DEPRECIATION**

At 1 January 2020

Reclassified to intangible assets

Charge for the year

Eliminated on disposals

Exchange differences

**At 31 December 2020**

Balance as at 1 January 2021

Disposal of subsidiary assets

Charge for the year

Eliminated on disposals

Exchange differences

**At 31 December 2021**
**CARRYING AMOUNT**
**At 31 December 2021**
**At 31 December 2020**

	Motor vehicles Shs'000	Computers Shs'000	Fittings and equipment Shs'000	Total Shs'000
At 1 January 2020	44,060	202,050	329,054	575,164
Reclassified to intangible assets	-	(7,175)	-	(7,175)
Additions	15,077	32,288	23,478	70,843
Disposals	-	(81)	(85)	(166)
Exchange difference	1,011	(737)	9,206	9,480
<b>At 31 December 2020</b>	<b>60,148</b>	<b>226,345</b>	<b>361,653</b>	<b>648,146</b>
<b>Balance as at 1 January 2021</b>	<b>60,148</b>	<b>226,345</b>	<b>361,653</b>	<b>648,146</b>
Disposal of subsidiary assets	(5,288)	(14,932)	(11,386)	(31,606)
Additions	-	37,817	3,229	41,046
Disposals	(4,500)	-	(85)	(4,585)
Exchange difference	870	2,978	7,696	11,544
<b>At 31 December 2021</b>	<b>51,230</b>	<b>252,208</b>	<b>361,107</b>	<b>664,545</b>
At 1 January 2020	39,775	171,415	196,632	407,822
Reclassified to intangible assets	-	(2,153)	-	(2,153)
Charge for the year	6,120	22,781	37,207	66,108
Eliminated on disposals	-	-	(68)	(68)
Exchange differences	887	(1,658)	5,397	4,626
<b>At 31 December 2020</b>	<b>46,782</b>	<b>190,385</b>	<b>239,168</b>	<b>476,335</b>
Balance as at 1 January 2021	<b>46,782</b>	<b>190,385</b>	<b>239,168</b>	<b>476,335</b>
Disposal of subsidiary assets	(5,292)	(11,966)	(5,869)	(23,127)
Charge for the year	5,803	30,554	44,932	81,289
Eliminated on disposals	(4,500)	-	-	(4,500)
Exchange differences	847	2,351	4,825	8,023
<b>At 31 December 2021</b>	<b>43,640</b>	<b>211,324</b>	<b>283,056</b>	<b>538,020</b>
<b>At 31 December 2021</b>	<b>7,590</b>	<b>40,884</b>	<b>78,051</b>	<b>126,525</b>
<b>At 31 December 2020</b>	<b>12,242</b>	<b>35,964</b>	<b>123,600</b>	<b>171,811</b>

Fully depreciated assets at 31 December 2021 amounted to Ksh 332,769,792 (2020 – Ksh 184,984,079). The notional annual depreciation on these assets would have been Ksh 74,199,328 (2020 – Ksh 53,633,566). None of the Group's property and equipment has been pledged as security for borrowings.

**14. MOTOR VEHICLE AND EQUIPMENT (CONTINUED)**
**COMPANY**
**COST**

At 1 January 2020

Additions

**At 31 December 2020**

At 1 January 2021

Additions

Disposals

**At 31 December 2021**
**DEPRECIATION**

At 1 January 2020

Charge for the year

**At 31 December 2020**

At 1 January 2021

Charge for the year

Eliminated on disposal

**At 31 December 2021**
**CARRYING AMOUNT**
**At 31 December 2021**
**At 31 December 2020**

	Motor vehicles Shs'000	Computers Shs'000	Fittings and equipment Shs'000	Total Shs'000
At 1 January 2020	26,661	148,428	226,250	401,339
Additions	15,077	20,650	9,243	44,970
<b>At 31 December 2020</b>	<b>41,738</b>	<b>169,078</b>	<b>235,493</b>	<b>446,309</b>
At 1 January 2021	41,738	169,078	235,492	446,308
Additions	-	32,732	2,990	35,722
Disposals	(4,500)	-	-	(4,500)
<b>At 31 December 2021</b>	<b>37,238</b>	<b>201,810</b>	<b>238,482</b>	<b>477,529</b>
At 1 January 2020	25,956	131,533	144,384	301,873
Charge for the year	4,474	16,282	24,070	44,826
<b>At 31 December 2020</b>	<b>30,430</b>	<b>147,815</b>	<b>168,454</b>	<b>346,699</b>
At 1 January 2021	30,430	147,815	168,454	346,699
Charge for the year	3,815	23,173	32,851	59,839
Eliminated on disposal	(4500)	-	-	(4500)
<b>At 31 December 2021</b>	<b>29,745</b>	<b>170,988</b>	<b>201,305</b>	<b>402,038</b>
<b>At 31 December 2021</b>	<b>7,493</b>	<b>30,823</b>	<b>37,177</b>	<b>75,491</b>
<b>At 31 December 2020</b>	<b>11,308</b>	<b>21,263</b>	<b>67,039</b>	<b>99,609</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 15. INTANGIBLE ASSETS

### Cost

#### Balance as at 1 January 2021

Reclassified from motor vehicle and equipment

Additions during the year

Exchange difference

#### At 31 December

### Depreciation

#### Balance as at 1 January 2021

Reclassified from motor vehicle and equipment

Charge for the year

Exchange difference

#### At 31 December 2021

#### Carrying amount

GROUP		COMPANY	
2021	2020	2021	2020
Ksh'000	Ksh'000	Ksh'000	Ksh'000
145,115	190,723	140,017	140,017
-	7,175	-	-
14,119	116,355	4,603	-
288	346	-	-
<b>159,522</b>	<b>314,599</b>	<b>144,620</b>	<b>140,017</b>
137,782	143,977	133,661	122,975
-	2,153	-	-
8,852	61,109	7,890	10,686
(161)	304	-	-
<b>146,473</b>	<b>207,543</b>	<b>141,551</b>	<b>133,661</b>
<b>13,049</b>	<b>107,056</b>	<b>3,069</b>	<b>6,356</b>

Fully depreciated assets at 31 December 2021 amounted to Ksh 141,109,838 (2020: Ksh 123,043,332). The notional annual depreciation on these assets would have been Ksh 46,989,576 (2020: Ksh 40,973,430). None of the Company's assets has been pledged as security for borrowings.

**16. RIGHT-OF-USE ASSET**
**Cost**

At 1 January
Additions during the year
* De-recognition
Exchange difference
At 31 December

**Depreciation**

At 1 January
Charge for the year
Eliminated on de-recognition
Exchange difference
At 31 December

**Carrying amount**

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

Four of the Company leases expired in the current financial year.

The maturity analysis of the lease liabilities is presented in note 38.

Depreciation expense on right-of-use assets
Interest expense on lease liabilities

The Group and Company has no restrictions or covenants imposed by its leases, neither are there arranged sale and leaseback transactions.

The Group and Company has considered the options available to extend or terminate a lease and has considered that for all its leases it expects to extend the lease term by one additional term.

The Company has determined the threshold for low values leases as Ksh 500,000.

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

GROUP		COMPANY	
2021 Ksh'000	2020 Ksh'000	2021 Ksh'000	2020 Ksh'000
758,087	773,436	449,234	449,518
10,177	70,477	-	8,958
(31,906)	(18,804)	-	(9,242)
15,201	24,309	-	-
<b>751,559</b>	<b>849,418</b>	<b>449,234</b>	<b>449,234</b>
211,110	104,012	109,907	54,593
90,045	124,457	50,738	55,314
(10,460)	(6,329)	-	-
3,721	7,016	-	-
<b>294,416</b>	<b>229,156</b>	<b>160,645</b>	<b>109,907</b>
<b>457,143</b>	<b>620,262</b>	<b>288,589</b>	<b>339,327</b>

GROUP		COMPANY	
2021 Ksh'000	2020 Ksh'000	2021 Ksh'000	2020 Ksh'000
90,045	124,457	50,738	55,314
67,809	101,583	64,122	66,214

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 17. INVESTMENT PROPERTIES – GROUP AND COMPANY

	Long term business Shs'000	Short term business Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
At start of year	9,363,000	1,247,000	10,610,000	10,772,500
Additions	8,313	6,327	14,640	11,351
Disposals	(398,000)	-	(398,000)	-
Fair value (loss)/ gains (Note 6)	(178,313)	(85,327)	(263,640)	(173,851)
<b>At year end</b>	<b>8,795,000</b>	<b>1,168,000</b>	<b>9,963,000</b>	<b>10,610,000</b>

The investment properties were last revalued on 31st December 2021 by Kiragu & Mwangi Limited, independent valuers, on an open market basis using the highest and best use principle. The properties are managed by Knight Frank Kenya Limited. The rental income received from the investment properties for the group was Shs 436,957,254 (2020:Shs 504,094,000) company was Shs 436,957,254 (2020: Shs 506,090,000) (Note 6).

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

### At 31 December 2021

Investment property

### At 31 December 2020

Investment property

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
At 31 December 2021	-	-	9,963,000	9,963,000
At 31 December 2020	-	-	10,610,000	10,610,000

### Valuation technique used to derive level 3 fair values

Level 3 fair value of investment properties has been derived using discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 18. EQUITY INVESTMENTS

### GROUP

Quoted investments - at fair value through profit or loss

At 1 January

Additions

Disposals

Fair value gains /(losses) (Note 6)

Exchange differences

**At 31 December**

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
7,756,543	9,509	7,766,052	8,165,691
862,506	3,056	865,562	954,274
(122,706)	-	(122,706)	(22,959)
1,009,270	(205)	1,009,065	(1,338,676)
9,145	759	9,904	7,722
<b>9,514,758</b>	<b>13,119</b>	<b>9,527,877</b>	<b>7,766,052</b>

### COMPANY

Quoted investments - at fair value through profit or loss

At 1 January

Additions

Disposals

Fair value gains /(losses) (Note 6)

**At 31 December**

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
7,665,131	-	7,665,131	8,074,115
793,905	-	793,905	945,092
(122,706)	-	(122,706)	(22,959)
1,009,547	-	1,009,547	(1,331,117)
<b>9,345,877</b>	<b>-</b>	<b>9,345,877</b>	<b>7,665,131</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 19 (a) INVESTMENTS IN SUBSIDIARIES – AT COST

ICEA LION Asset Management Limited - Kenya  
 ICEA LION Trust Company Limited - Kenya  
 Riverside Park Limited - Kenya  
 ICEA LION Life Assurance Company (Uganda) Limited  
 ICEA LION Asset Management (Uganda) Limited  
 ICEA LION General Insurance Company (Uganda) Limited

	COMPANY			
	Long term Shs'000	Short term Shs'000	2021 Shs'000	2020 Shs'000
	-	-	-	34,596
	-	-	-	10,000
	9,823	-	9,823	9,823
	-	193,172	193,172	151,234
	-	4,250	4,250	4,250
	-	483,021	483,021	483,021
	<b>9,823</b>	<b>680,443</b>	<b>690,266</b>	<b>692,924</b>

## 19 (a) Movement in investment in subsidiaries

	ICEA LION Asset Management. Ltd	ICEA LION Trust Company Ltd	Riverside Park Limited	ICEA LION Life Ass. Co. (Uganda) Ltd	ICEA LION Asset Management (Uganda) Ltd	ICEA LION General Insurance Co. (Uganda) Ltd	Total
	2021 Shs'000	2021 Shs'000	2021 Shs'000	2021 Shs'000	2021 Shs'000	2021 Shs'000	Shs'000
Movement in subsidiaries							
Opening balances	151,234	34,596	10,000	483,021	9,823	4,250	692,924
Addition: Transfer from Intercompany balances	38,712	-	-	-	-	-	38,712
Cash Injection	3,226	-	-	-	-	-	3,226
Disposal at cost	-	(34,596)	(10,000)	-	-	-	(44,596)
	<b>193,172</b>	<b>-</b>	<b>-</b>	<b>483,021</b>	<b>9,823</b>	<b>4,250</b>	<b>690,266</b>

ICEA LION Asset Management Limited & ICEA LION Trust Company Limited were disposed as at 01.1.2021 to the ICEA LION Holdings Company Limited at cost.

All the above subsidiaries are 100% owned by ICEA LION Life Assurance Company Limited.

### Subsidiary

ICEA LION Asset Management Limited - Kenya  
 ICEA LION Trust Company Limited - Kenya  
 ICEA LION Life Assurance Company (Uganda) Limited  
 ICEA LION General Insurance Company (Uganda) Limited  
 Riverside Park Limited - Kenya  
 ICEA LION Asset Management (Uganda) Limited

### Principal business activity

Management of investment portfolios for clients - Disposed to ICEA LION Insurance Holdings Limited in 2021.  
 Provision of administration and trustee services to retirement benefit schemes and other clients - Disposed to ICEA LION Insurance Holdings Limited in 2021.  
 Transacts life insurance business and pension scheme administration after transferring the general business to ICEA LION General Insurance Company Limited on 1<sup>st</sup> September 2014  
 Transacts general insurance business.  
 The company ceased trading on 31 December 1996 and is dormant.  
 Management of investment portfolios for clients.

**19 (b). DECONSOLIDATED ADJUSTMENT**

**Assets**

Equipment	(6,014)	(2,471)	(8,485)
Right of Use Asset	(36,822)	(36,464)	(73,286)
Intangible assets	(96,302)	(3,422)	(99,724)
Investment in subsidiaries	(1,750)	-	(1,750)
Other receivables	(161,461)	(21,647)	(183,108)
Tax recoverable	(3,755)	(7,323)	(11,078)
Deferred taxation	-	(4,823)	(4,823)
Government securities held at fair value through profit and loss	(159,690)	(55,599)	(215,289)
Deposits with financial institutions	(384,198)	(85,415)	(469,613)
Cash and bank balances	(6,469)	(3,434)	(9,903)
Lease Liabilities	72,057	39,341	111,398
Other payables	130,671	13,243	143,914
Deferred taxation	8,907	-	8,907

**Net Assets**

Consideration received, satisfied in cash	34,596	10,000	44,596
Loss on disposal of subsidiary	(610,232)	(158,014)	(768,246)

ICEA LION Asset Management 2021	ICEA LION Trust Company Limited 2021	Total 2021
KShs'000	KShs'000	KShs'000
(6,014)	(2,471)	(8,485)
(36,822)	(36,464)	(73,286)
(96,302)	(3,422)	(99,724)
(1,750)	-	(1,750)
(161,461)	(21,647)	(183,108)
(3,755)	(7,323)	(11,078)
-	(4,823)	(4,823)
(159,690)	(55,599)	(215,289)
(384,198)	(85,415)	(469,613)
(6,469)	(3,434)	(9,903)
72,057	39,341	111,398
130,671	13,243	143,914
8,907	-	8,907
<b>(644,828)</b>	<b>(168,014)</b>	<b>(812,842)</b>
34,596	10,000	44,596
(610,232)	(158,014)	(768,246)

**20. INVESTMENTS IN ASSOCIATE**
**GROUP – SHORT TERM BUSINESS**

Company's shares of net assets;

At 1 January

Share of profit

Prior year adjustment

Share of other comprehensive income

Dividends received

**Net movement**
**At 31 December**

	2021 Shs'000	2020 Shs'000
At 1 January	1,659,845	1,568,580
Share of profit	42,465	126,529
Prior year adjustment	308	429
Share of other comprehensive income	-	(4,786)
Dividends received	(30,908)	(30,907)
<b>Net movement</b>	<b>11,865</b>	<b>91,265</b>
<b>At 31 December</b>	<b>1,671,710</b>	<b>1,659,845</b>

Further information on the associate company is shown below:

Company	Share capital Shs	% owned	Country of Incorporation	Principal activity
<i>East Africa Reinsurance Company Limited</i>	<i>1,000,000</i>	<i>30.91%</i>	<i>Kenya</i>	<i>Underwriting all classes of reinsurance and reinsurance businesses</i>

A summary of financial information as of 31 December 2021 and for the year then ended in respect of the associate company is set out below:

Total assets

Total liabilities

Net assets

Group's share of the net assets

Net earned premiums

Profit before income tax

Income tax expense

Profit for the year

Other comprehensive income

Total comprehensive income for the year

**COMPANY**

At cost

At 1st January

Additions

**At 31 December**

	2021 Shs'000	2020 Shs'000
Total assets	11,270,753	10,261,472
Total liabilities	5,862,169	4,891,277
Net assets	5,408,584	5,370,195
<b>Group's share of the net assets</b>	<b>1,671,710</b>	<b>1,659,845</b>
Net earned premiums	3,741,219	3,890,681
Profit before income tax	102,455	606,081
Income tax expense	34,933	(196,713)
Profit for the year	137,388	409,368
Other comprehensive income	-	(15,485)
<b>Total comprehensive income for the year</b>	<b>137,388</b>	<b>393,883</b>
<b>At cost</b>		
<b>At 1st January</b>	<b>553,922</b>	<b>553,922</b>
<b>Additions</b>	<b>-</b>	<b>-</b>
<b>At 31 December</b>	<b>553,922</b>	<b>553,922</b>

## 21. KENYA MOTOR INSURANCE POOL- GROUP AND COMPANY

The Kenya Motor Insurance Pool (KMIP) was a mandatory pool set up to provide motor cover under pooled arrangement. KMIP has ceased underwriting and is now dormant though its investments continue to earn income. This balance is recoverable from the pool through a refund amount due upon distribution of the pool assets.

(a) Details of the Group's share in the pool as at the end of the reporting period are as follows;

Name	Country of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held by the company	
			2021	2020
Kenya Motor Insurance Pool	Kenya	Sharing of pool business and risks by underwriting and investments.	5.34%	5.34%

(b) The movement in the amount due is shown below;

	2021	2020
	Shs'000	Shs'000
At 1 January	36,703	37,209
Partial distribution	(14,604)	-
Net (decrease)/increase in Group share of net assets of the pool	2,639	(506)
	<b>24,738</b>	<b>36,703</b>

## 22. LOANS RECEIVABLE

(a) Mortgage loans - GROUP AND COMPANY

	2021	2020
	Shs'000	Shs'000
At 1 January	607,307	580,214
Loans advanced	132,720	114,113
Interest charged	36,002	36,823
Loans repayments	(122,652)	(123,843)
<b>Gross</b>	<b>653,377</b>	<b>607,307</b>
Allowance for expected credit losses	(1,895)	(2,935)
<b>At 31 December</b>	<b>651,482</b>	<b>604,372</b>
<b>Maturity profile of mortgage loans:</b>		
Loans maturing:		
Within 1 year	11,821	4,278
1 to 5 years	70,904	25,885
Over 5 years	568,757	574,209
	<b>651,482</b>	<b>604,372</b>

**22. LOANS RECEIVABLE (CONTINUED)**
**(b) Policy loans (Continued)**
**GROUP**

At 1 January
Loans advanced
Interest charged
Loans repayments
Exchange adjustments
<b>Gross</b>
Allowance for expected credit losses
<b>At 31 December</b>

2021	2020
Shs'000	Shs'000
696,832	615,399
457,389	250,962
109,344	69,827
(396,181)	(249,709)
(558)	11,755
<b>866,826</b>	<b>698,234</b>
(1,995)	(1,402)
<b>864,831</b>	<b>696,832</b>

**Maturity profile of policy loans:**
**Loans maturing:**

Within 1 year
1-5 years
Over 5 years

160,856	117,834
489,301	389,070
214,674	189,928
<b>864,831</b>	<b>696,832</b>

**COMPANY**

At 1 January
Loans advanced
Interest charged
Loans repayments
<b>Gross</b>
Allowance for expected credit losses
<b>At 31 December</b>

544,345	506,882
359,626	181,996
88,275	53,990
(311,477)	(197,121)
<b>680,769</b>	<b>545,747</b>
(1,995)	(1,402)
<b>678,774</b>	<b>544,345</b>

**Maturity profile of policy loans:**
**Loans maturing:**

Within 1 year
2-5 years
Over 5 years

121,569	85,636
342,530	268,781
214,675	189,928
<b>678,774</b>	<b>544,345</b>

### 23. DEFERRED ACQUISITION COSTS

#### GROUP

At start of the year  
 Net increase  
 Exchange differences

**At end of the year**

	2021 Shs'000	2020 Shs'000
At start of the year	49,284	43,368
Net increase	2,892	2,195
Exchange differences	3,397	3,721
<b>At end of the year</b>	<b>55,573</b>	<b>49,284</b>

### 24. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

Reinsurers' share of:  
 Notified outstanding claims  
 Reinsurance share of IBNR

GROUP		COMPANY	
2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
522,572	331,614	64,834	7,528
-	38,645	-	-
<b>522,572</b>	<b>370,259</b>	<b>64,834</b>	<b>7,528</b>

### 25. OTHER RECEIVABLES

#### GROUP

Due from related companies (Note 39)  
 Staff advances  
 Trade debtors  
 Others

#### COMPANY

Due from related companies (Note 39)  
 Staff advances  
 Others

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
14,346	39,027	53,373	48,971
36,040	9,977	46,017	55,573
-	-	-	142,439
734,944	37,551	772,495	787,346
<b>785,330</b>	<b>86,555</b>	<b>871,885</b>	<b>1,034,329</b>
219,529	40,779	260,309	266,087
35,960	263	36,223	40,786
447,500	2,061	449,560	425,398
<b>702,989</b>	<b>43,103</b>	<b>746,092</b>	<b>732,271</b>

The carrying value of other receivables above approximates their fair value

## 26. CORPORATE BONDS

### GROUP AND COMPANY

#### Corporate bonds maturing:

- within one year
- 1 to 5 years
- After 5 years
- Allowance for expected credit losses

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
-	-	-	124,064
230,230	-	230,230	307,535
-	-	-	-
(322)	-	(322)	(1,209)
<b>229,908</b>	<b>-</b>	<b>229,908</b>	<b>430,390</b>

## 27. GOVERNMENT SECURITIES

### GROUP

#### Held at amortised cost

#### Treasury bills and bonds maturing:

- within one year
- 1 to 5 years
- After 5 years

#### Gross

- Allowance for expected credit losses

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
5,711,742	268,820	5,980,562	2,615,646
12,636,452	140,178	12,776,630	16,566,501
51,416,111	397,801	51,813,912	38,082,102
<b>69,764,305</b>	<b>806,799</b>	<b>70,571,104</b>	<b>57,264,249</b>
(63,781)	(41)	(63,822)	(53,846)
<b>69,700,524</b>	<b>806,758</b>	<b>70,507,282</b>	<b>57,210,403</b>

#### Held at FVTPL

#### Treasury bills and bonds maturing:

- within one year
- 1 to 5 years
- After 5 years

2,492,592	-	2,492,592	-
2,121,978	-	2,121,978	4,077,743
22,389,195	104,548	22,493,743	20,977,411
<b>27,003,765</b>	<b>104,548</b>	<b>27,108,313</b>	<b>25,055,154</b>

### COMPANY

#### Held at amortised cost

#### Treasury bills and bonds maturing:

- within one year
- 1 to 5 years
- After 5 years

#### Gross

- Allowance for expected credit losses

4,835,919	37,369	4,873,288	1,706,050
10,710,061	-	10,710,061	14,207,864
49,918,692	-	49,918,692	37,460,452
<b>65,464,672</b>	<b>37,369</b>	<b>65,502,041</b>	<b>53,374,366</b>
(63,781)	(41)	(63,822)	(53,844)
<b>65,400,891</b>	<b>37,328</b>	<b>65,438,219</b>	<b>53,320,522</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 27. GOVERNMENT SECURITIES (CONTINUED)

### COMPANY

#### Held at FVTPL

#### Treasury bills and bonds maturing:

- within one year
- 1 to 5 years
- After 5 years

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
2,492,592	-	2,492,592	-
2,121,978	-	2,121,978	4,019,434
22,389,195	104,548	22,493,743	20,820,431
<b>27,003,765</b>	<b>104,548</b>	<b>27,108,313</b>	<b>24,839,865</b>

Treasury bonds amounting to Shs 5,996,950,000 (2020: Shs 5,442,200,000) are held under lien with the Central Bank of Kenya.

## 28. DEPOSITS WITH FINANCIAL INSTITUTIONS

### GROUP

- Maturing within 90 days
- Maturing after 90 days

### COMPANY

- Maturing within 90 days
- Maturing after 90 days

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
748,903	67,222	816,125	1,039,206
2,774,516	639,637	3,414,153	2,856,980
<b>3,523,419</b>	<b>706,859</b>	<b>4,230,278</b>	<b>3,896,186</b>
130,829	-	130,829	103,638
2,774,514	559,759	3,330,273	2,856,980
<b>2,905,343</b>	<b>559,759</b>	<b>3,461,102</b>	<b>2,960,618</b>

### Weighted average effective rates – GROUP AND COMPANY

The following table summarises the weighted average effective interest rates at the year end on the principle interest bearing investments.

	2021	2020
Mortgage loans	15%	15%
Policy loans	16%	16%
Government securities	12%	12%
Corporate bonds	13%	13%
Deposits with financial institution	7.82%	9.5%

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 29. SHARE CAPITAL

### GROUP AND COMPANY

Balance at 1 January 2020, 31 December 2020

Additional shares at 1 January 2021

**Balance as at 31 December 2021**

	Ordinary shares			Total Shs'000
	Number of shares	Long term Shs'000	Short term Shs'000	
Balance at 1 January 2020, 31 December 2020	22,500	150,000	300,000	450,000
Additional shares at 1 January 2021	33,750	-	675,000	675,000
<b>Balance as at 31 December 2021</b>	<b>56,250</b>	<b>150,000</b>	<b>975,000</b>	<b>1,125,000</b>

The total authorised number of ordinary shares is 56,250,000 with a par value of Shs 20 per share. All issued shares are fully paid with equal rights.

## 30. UNEARNED PREMIUM

### GROUP

At 1 January

Increase

Exchange adjustments

**At 31 December**

	2021 Shs'000	2020 Shs'000
At 1 January	161,538	136,725
Increase	3,783	12,808
Exchange adjustments	10,879	12,005
<b>At 31 December</b>	<b>176,200</b>	<b>161,538</b>

## 31. INSURANCE CONTRACT LIABILITIES

### GROUP AND COMPANY

(a) Long term insurance contracts

- claims reported and claims handling expenses

- actuarial liabilities with respect to contracts in force

(b) Short term non-life insurance contracts:

- claims reported and claims handling expenses

- claims incurred but not reported

**Total – short term**

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
(a) Long term insurance contracts				
- claims reported and claims handling expenses	353,525	290,662	192,558	166,016
- actuarial liabilities with respect to contracts in force	29,315,701	25,403,650	27,305,671	23,773,416
	<b>29,669,226</b>	<b>25,694,312</b>	<b>27,498,229</b>	<b>23,939,432</b>
(b) Short term non-life insurance contracts:				
- claims reported and claims handling expenses	445,555	391,885	-	-
- claims incurred but not reported	97,925	58,777	-	-
<b>Total – short term</b>	<b>543,480</b>	<b>450,662</b>	<b>-</b>	<b>-</b>
	<b>30,212,706</b>	<b>26,144,974</b>	<b>27,498,229</b>	<b>23,939,432</b>

Insurance contract liabilities comprises gross claims reported, claims handling expenses and actuarial liabilities with respect to all contracts in force for ordinary (including unit linked policies) and group life business.

Movements in insurance liabilities and reinsurance assets are shown in Note 32.

**31. INSURANCE CONTRACT LIABILITIES (continued)**

The table below illustrates how the group's short term estimates of total claims outstanding for each accident year has changed at successive year ends as at 31.12.2021.

**Accident Year**

	2017 Kshs'000	2018 Kshs'000	2019 Kshs'000	2020 Kshs'000	2021 Kshs'000	Total Kshs'000
Estimate of ultimate claims costs:						
At end of accident year	158,801	205,394	264,945	250,937	294,968	1,175,045
One year later	191,071	425,805	304,155	320,445	-	1,241,476
Two years later	189,343	389,505	276,740	-	-	855,588
Three years later	187,997	398,723	-	-	-	586,720
Four years later	618,983	-	-	-	-	618,983
<b>Current estimate of cumulative claims</b>	<b>618,983</b>	<b>398,723</b>	<b>276,740</b>	<b>320,445</b>	<b>294,968</b>	<b>1,909,859</b>
<b>Less: cumulative payments to date</b>	<b>(393,774)</b>	<b>(378,006)</b>	<b>(250,822)</b>	<b>(284,250)</b>	<b>(59,527)</b>	<b>(1,366,379)</b>
<b>Liability recognized</b>	<b>225,209</b>	<b>20,717</b>	<b>25,918</b>	<b>36,195</b>	<b>235,441</b>	<b>543,480</b>

The table below illustrates how the group's short term estimates of total claims outstanding for each accident year has changed at successive year ends as at 31.12.2020.

**Accident Year**

	2016 Kshs'000	2017 Kshs'000	2018 Kshs'000	2019 Kshs'000	2020 Kshs'000	Total Kshs'000
Estimate of ultimate claims costs:						
At end of accident year	236,906	408,178	138,777	101,725	250,009	1,135,595
One year later	86,353	51,478	30,954	88,309	-	257,094
Two years later	27,750	43,756	30,000	-	-	101,506
Three years later	13,875	37,583	-	-	-	51,458
Four years later	-	-	-	-	-	-
<b>Current estimate of cumulative claims</b>	<b>364,884</b>	<b>540,995</b>	<b>199,731</b>	<b>190,034</b>	<b>250,009</b>	<b>1,545,653</b>
<b>Less: cumulative payments to date</b>	<b>(232,875)</b>	<b>(184,828)</b>	<b>(184,828)</b>	<b>(169,080)</b>	<b>(323,380)</b>	<b>(1,094,991)</b>
<b>Liability recognized</b>	<b>132,009</b>	<b>356,167</b>	<b>14,903</b>	<b>20,954</b>	<b>(73,371)</b>	<b>450,662</b>

**32. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS**

	Gross	Reinsurance	Net 2021	Gross	Reinsurance	Net 2020
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Short term</b>						
At 1 January						
Notified claims	391,885	(257,609)	134,276	450,786	(339,727)	111,059
IBNR	58,777	(38,645)	20,132	67,621	(50,959)	16,662
<b>At 1 January</b>	<b>450,662</b>	<b>(296,254)</b>	<b>154,408</b>	<b>518,407</b>	<b>(390,686)</b>	<b>127,721</b>
Claims incurred in current year	370,587	(215,112)	155,475	223,183	(109,016)	114,167
Payment for claims	(307,641)	168,154	(139,487)	(328,254)	230,134	(98,120)
Exchange difference	29,872	(19,637)	10,235	37,326	(26,686)	10,640
<b>At 31 December</b>	<b>543,480</b>	<b>(362,849)</b>	<b>180,631</b>	<b>450,662</b>	<b>(296,254)</b>	<b>154,408</b>
Notified claims	445,555	(296,421)	149,134	391,885	(257,609)	134,276
IBNR	97,925	(66,428)	31,496	58,777	(38,645)	20,132
<b>At 31 December</b>	<b>543,480</b>	<b>(362,849)</b>	<b>180,630</b>	<b>450,662</b>	<b>(296,254)</b>	<b>154,408</b>
<b>Long term</b>						
At 1 January	25,694,312	(74,005)	25,620,307	22,826,087	-	22,826,087
Actuarial liabilities movement for current year	3,974,914	(85,718)	3,889,196	2,868,225	(74,005)	2,794,220
	<b>29,669,226</b>	<b>(159,723)</b>	<b>29,479,240</b>	<b>25,694,312</b>	<b>(74,005)</b>	<b>25,620,307</b>
<b>Total</b>	<b>30,212,706</b>	<b>(522,572)</b>	<b>29,659,397</b>	<b>26,144,974</b>	<b>(370,259)</b>	<b>25,774,715</b>

**33. (a) AMOUNTS PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS**

Deposit administration contract liabilities are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 9.25% for the year (2020: 8%).

**GROUP**

	2021	2020
	Shs'000	Shs'000
At 1 January	64,439,693	57,284,548
Deposit administration contributions received	13,799,669	10,818,453
Surrenders	(8,820,771)	(8,215,418)
Interest payable to policyholders	6,209,463	4,714,496
Tax on unregistered schemes	(241,024)	(275,396)
Adjustment in actuarial liabilities	(18,849)	(9,041)
Exchange adjustments	151,326	122,051
At 31 December	<b>75,519,507</b>	<b>64,439,693</b>

**33. (a) AMOUNTS PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS (CONTINUED)**
**COMPANY**

At 1 January
Deposit administration contributions received
Surrenders
Interest payable to policyholders
Tax on unregistered schemes
At 31 December

2021	2020
Shs'000	Shs'000
62,603,711	56,111,116
12,930,263	9,967,190
(8,416,143)	(7,775,420)
5,999,234	4,576,222
(241,024)	(275,397)
<b>72,876,041</b>	<b>62,603,711</b>

**33. (b) AMOUNTS PAYABLE UNDER UNIT LINKED POLICIES**
**GROUP AND COMPANY**

At 1 January
Premiums received
Adjustment in actuarial liabilities

2021	2020
Shs'000	Shs'000
208,208	287,589
14,505	17,990
(23,979)	(97,371)
<b>198,734</b>	<b>208,208</b>

**34. OTHER PAYABLES**
**GROUP**

Amounts due to related companies (Note 39)
Withholding tax payable
Accrued expenses
Statutory deductions payable
Rent deposits
Other liabilities

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
15,549	27,313	42,862	34,746
53,244	-	53,244	53,117
390,414	-	390,414	456,426
12,786	-	12,786	12,507
35,237	-	35,237	43,779
395,694	348,031	743,725	948,905
<b>902,924</b>	<b>375,344</b>	<b>1,278,268</b>	<b>1,549,480</b>

Other liabilities consists of rental creditors, sundry creditors, PAYE payable, outstanding staff leave liability, KPRL AGM expenses amongst others

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 34. OTHER PAYABLES (CONTINUED)

### COMPANY

Amounts due to related companies (Note 39)
Withholding tax payable
Accrued expenses
Statutory deductions payable
Rent deposits
Other liabilities
The carrying value of other payables above approximates their fair value.

Long term business 2021 Shs'000	Short term business 2021 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
47,230	212,671	259,901	135,571
53,244	-	53,244	-
372,025	-	372,025	326,794
9,532	-	9,532	-
35,237	-	35,237	43,779
144,891	52,110	197,001	418,305
<b>662,159</b>	<b>264,781</b>	<b>926,940</b>	<b>924,449</b>

## 35. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2020:30%). Deferred tax assets and liabilities are attributable to the following items:

### GROUP

#### Year ended 31 December 2021

#### Deferred income tax asset

Property and equipment on historical cost basis
Unrealised exchange gains
Prior year adjustment
Provision for liabilities and charges
Tax losses carried forward

#### Deferred income tax liability

#### Property and equipment:

- on historical cost basis
- on revaluation surplus
Fair value gains on investment property
Actuarial reserve

#### Net deferred tax liability

At 1 Jan 2021 Shs'000	Disposal of Subsidiaries	Prior year Adjustment	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2021 Shs'000
(47,198)	4,793	-	-	(42,405)
(20,106)	-	-	-	(20,106)
164	-	-	147	311
(21,174)	-	-	-	(21,174)
(14,252)	-	6	1	(14,245)
<b>(102,566)</b>	<b>4,793</b>	<b>6</b>	<b>148</b>	<b>(97,619)</b>
9,210	(8,905)	-	-	305
(496)	-	-	-	(496)
254,995	-	-	(25,598)	229,397
1,699,810	-	-	636,455	2,336,265
<b>1,963,519</b>	<b>(8,905)</b>	<b>-</b>	<b>610,857</b>	<b>2,565,471</b>
<b>1,860,953</b>	<b>(4,112)</b>	<b>6</b>	<b>611,005</b>	<b>2,467,852</b>

**35. DEFERRED INCOME TAX (CONTINUED)**
**GROUP**
**Year ended 31 December 2020**
**Deferred income tax asset**

Property and equipment on historical cost basis	(68,302)	-	21,104	(47,198)
Unrealised exchange gains	(20,106)	-	-	(20,106)
Prior year adjustment	-	164	-	164
Provision for liabilities and charges	(20,890)	-	(284)	(21,174)
Tax losses carried forward	(14,252)	-	-	(14,252)
	<b>(123,550)</b>	<b>164</b>	<b>20,820</b>	<b>(102,566)</b>

**Deferred income tax liability**
**Property and equipment:**

- on historical cost basis	302	-	8,908	9,210
- on revaluation surplus	(496)	-	-	(496)
Fair value gains on investment property	255,535	-	(540)	254,995
Actuarial reserve	1,946,472	-	(246,662)	1,699,810
	<b>2,201,813</b>	<b>-</b>	<b>(238,294)</b>	<b>1,963,519</b>

**Net deferred tax liability**

At 1 Jan 2020 Shs'000	Prior Year Adjustment Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2020 Shs'000
(68,302)	-	21,104	(47,198)
(20,106)	-	-	(20,106)
-	164	-	164
(20,890)	-	(284)	(21,174)
(14,252)	-	-	(14,252)
<b>(123,550)</b>	<b>164</b>	<b>20,820</b>	<b>(102,566)</b>
302	-	8,908	9,210
(496)	-	-	(496)
255,535	-	(540)	254,995
1,946,472	-	(246,662)	1,699,810
<b>2,201,813</b>	<b>-</b>	<b>(238,294)</b>	<b>1,963,519</b>
<b>2,078,263</b>	<b>164</b>	<b>(217,474)</b>	<b>1,860,953</b>

**COMPANY**
**Year ended 31st December 2021**
**Deferred income tax asset**

Provision for liabilities and charges	(97,291)	-	(97,291)
	<b>(97,291)</b>	<b>-</b>	<b>(97,291)</b>

**Deferred income tax liability**

Fair value gains on investment property	254,801	(25,598)	229,203
Actuarial surplus	1,699,812	636,456	2,336,268
	<b>1,954,613</b>	<b>610,858</b>	<b>2,565,471</b>

**Net deferred tax liability**

At 1 Jan 2021 Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2021 Shs'000
(97,291)	-	(97,291)
<b>(97,291)</b>	<b>-</b>	<b>(97,291)</b>
254,801	(25,598)	229,203
1,699,812	636,456	2,336,268
<b>1,954,613</b>	<b>610,858</b>	<b>2,565,471</b>
<b>1,857,322</b>	<b>610,858</b>	<b>2,468,180</b>

**35. DEFERRED INCOME TAX (CONTINUED)**
**COMPANY**
**Year ended 31st December 2020**
**Deferred income tax asset**

Provision for liabilities and charges

**Deferred income tax liability**

Fair value gains on investment property

Actuarial surplus

**Net deferred tax liability**

	At 1 Jan 2020 Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2020 Shs'000
	(103,694)	6,403	97,291
	<b>(103,694)</b>	<b>6,403</b>	<b>(97,291)</b>
	255,342	(541)	254,801
	1,946,471	(246,660)	1,699,811
	<b>2,201,813</b>	<b>(247,201)</b>	<b>1,954,612</b>
	<b>2,098,119</b>	<b>(240,798)</b>	<b>1,857,321</b>

**36. CASH GENERATED FROM OPERATIONS**
**a) Reconciliation of profit before taxation to cash generated from operations**

Profit before tax

**Adjustments for:**

Depreciation and amortization

Impairment allowance

Net movement in share of associate profits

Gain /(loss) on sale of shares

Fair value (loss) /gains on investment properties

Fair value gains on treasury bonds

Fair value loss /(gains) of quoted shares

Fair value loss /(gains) on unit trusts

Dividend income

Rental income

Interest income

**Changes in working capital:**

Trade and other receivables

Technical provisions

Trade and other payables

**Cash generated from operations**

	GROUP		COMPANY	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
	3,894,253	2,203,713	3,440,102	1,517,396
	176,807	257,227	118,468	110,828
	-	39,412	-	9,242
	(11,865)	(91,265)	-	-
	-	3,830	(26,792)	3,830
	263,640	173,851	263,640	173,851
	483,473	(202,322)	483,473	(201,580)
	(1,009,065)	1,338,879	(1,009,547)	1,331,320
	(121,542)	70,339	(120,070)	70,747
	(321,400)	(356,376)	(315,222)	(399,343)
	(436,957)	(504,094)	(436,957)	(506,090)
	(11,764,291)	(9,655,081)	(10,959,739)	(9,082,638)
	(189,052)	(285,579)	(181,537)	(136,355)
	14,910,430	9,816,696	13,760,688	8,801,606
	22,505	703,859	(26,269)	343,270
	<b>5,896,936</b>	<b>3,513,089</b>	<b>4,990,238</b>	<b>2,036,084</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Notes (continued)



## 36. CASH GENERATED FROM OPERATIONS (CONTINUED)

### (b) Cash and cash equivalents

Cash and bank balances  
Deposits with financial institutions (Note 28)

GROUP		COMPANY	
2021	2020	2021	2020
Shs'000	Shs'000	Shs'000	Shs'000
552,710	190,210	441,254	90,823
816,125	1,039,206	130,829	103,638
<b>1,368,835</b>	<b>1,229,416</b>	<b>572,083</b>	<b>194,461</b>

### (b) Proceeds from disposal of Subsidiary

Consideration received, satisfied in cash  
Disposal of subsidiary  
Cash and cash equivalents disposed off

#### Loss on disposal

2021
Shs'000
44,596
(1,750)
(9,903)
<b>32,943</b>

### (c) Effect of translation

Exchange differences in translating foreign operations  
Exchange differences in translating Property plant and equipment  
Exchange differences in translating Right of use asset  
Exchange differences in translating Equity investments  
Exchange differences in translating intangible assets

2021
Shs'000
16,736
(11,544)
(15,201)
(9,904)
(288)
<b>(20,201)</b>

## 37. CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the reporting period date was as follows:

Property and equipment

GROUP		COMPANY	
2021	2020	2021	2020
Shs'000	Shs'000	Shs'000	Shs'000
5,167	19,135	2,112	19,135

**38. LEASE LIABILITY**

At 1 January
Derecognition of lease liabilities
Additions during the year
Interest charge for the year (Note 9(b))
Repayment during the year
Exchange difference

**At 31 December**

**Maturity analysis of operating lease payments:**

Year 1
Year 2
Year 3
Year 4
Year 5 and onwards

GROUP		COMPANY	
2021	2020	2021	2020
Shs'000	Shs'000	Shs'000	Shs'000
784,956	951,471	541,203	602,553
(20,447)	(74,004)	-	(36,339)
8,098	70,477	-	8,959
61,322	101,583	64,122	66,214
(125,579)	(174,916)	(98,544)	(100,184)
612	17,710	-	-
<b>708,962</b>	<b>892,321</b>	<b>506,781</b>	<b>541,203</b>

2021	2020	2021	2020
Shs'000	Shs'000	Shs'000	Shs'000
12,469	192,280	8,913	124,760
-	125,163	-	70,343
2,440	193,981	1,744	72,422
303,258	140,211	216,775	77,302
390,795	242,686	279,349	196,376
<b>708,962</b>	<b>892,321</b>	<b>506,781</b>	<b>541,203</b>

The Group and Company recognizes leases of various office premises only. The average lease term is five years . No other leases are recognized.

### 39. RELATED PARTY BALANCES AND TRANSACTIONS

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The ultimate holding company is Asset Managers Limited, which is incorporated in Kenya. In the normal course of business, the Group transacts with the following related entities.

- ICEA LION Asset Management Limited – common ownership
- ICEA LION Trust Company Limited – common ownership
- ICEA LION General Insurance Company (Uganda) Limited – 100% subsidiary
- ICEA LION Life Assurance Company (Uganda) Limited – 100% subsidiary
- ICEA LION Asset Management (Uganda) Limited – 100% subsidiary
- ICEA LION General Insurance Company Limited - common ownership
- Knight Frank Kenya Limited - common ownership
- First Chartered Securities Limited - common ownership
- East Africa Reinsurance Company Limited - Associate

#### i) Transactions with related parties

Management fees - ICEA LION Asset Management Limited  
 ICEA LION Trust Company Limited  
 Deposits held with other related institutions  
 Reinsurance Premiums - East Africa Re

#### ii) Outstanding balances with related parties

##### Due to related parties

#### GROUP

First Chartered Securities Limited  
 ICEA LION General Insurance Company Limited

#### COMPANY

Riverside Park Limited  
 ICEA LION General Insurance Company (Uganda) Limited  
 ICEA LION General Insurance Company Limited  
 ICEA LION Asset Management Limited  
 First Chartered Securities Limited  
 ICEA LION LIFE Assurance Company (Uganda) Ltd  
 Knight Frank Kenya Limited  
 ICEA LION Trust Company Limited

	2021	2020
	Shs'000	Shs'000
	118,253	103,230
	46,415	40,975
	344,358	684,081
	191,167	152,465
	15,467	8,827
	27,395	25,919
	<b>42,862</b>	<b>34,746</b>
	31,682	31,682
	100,211	33,081
	15,549	15,494
	55,255	42,027
	15,467	8,827
	41,729	3,078
	-	1,374
	8	8
	<b>259,901</b>	<b>135,571</b>

**39. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)**
**Due from related parties**
**GROUP**

ICEA LION General Insurance Company Limited  
 First Chartered Securities Limited  
 Knight Frank Kenya Limited

**COMPANY**

ICEA LION General Insurance Company Limited  
 ICEA LION General Insurance Company (Uganda) Limited  
 ICEA LION Life Assurance Company (Uganda) Limited  
 ICEA LION Asset Management Limited  
 First Chartered Securities Limited  
 ICEA LION Trust Company Limited  
 Riverside Park Limited  
 Knight Frank Kenya Limited  
 ICEA LION Asset Management (Uganda) Limited

**iii) Key management and directors' remuneration**
**GROUP**

Directors' emoluments – fees  
 Key management remuneration

**COMPANY**

Directors' emoluments – fees  
 Key management remuneration

	2021	2020
	Shs'000	Shs'000
	35,839	35,605
	16,800	10,941
	734	2,425
	<b>53,373</b>	<b>48,971</b>
	39,027	39,088
	99,239	101,661
	38,519	43,308
	58,307	60,680
	16,800	10,941
	521	823
	3	3
	734	2,426
	7,159	7,157
	<b>260,309</b>	<b>266,087</b>
	11,062	5,289
	336,864	364,783
	<b>347,926</b>	<b>370,072</b>
	6,050	3,180
	228,163	182,300
	<b>234,213</b>	<b>185,480</b>

## SUPPLEMENTARY INFORMATION

## APPENDIX I

## CONSOLIDATED LONG TERM REVENUE ACCOUNT

**Net premiums written**

Gross premiums written

Reassurance premium

**Net earned premiums**

Exchange fluctuation

Investment income

Commission earned

Available for sale reserve

**Total investment and other income**

Claims paid; life and death

Surrenders

Interest payable to policyholders

Increase in actuarial liabilities

**Total claims**

Premium tax

Commissions payable

Operating expenses

**Total expenses****Increase in funds during the year**

Income tax expense

**Increase in funds after tax**

	Other Superannuation Shs'000	Ordinary Life Fund Shs'000	Deposit Administration Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
	3,662,535	4,471,152	-	8,133,687	5,650,020
	(396,548)	(44,929)	-	(441,477)	(468,166)
	<b>3,265,987</b>	<b>4,426,223</b>	<b>-</b>	<b>7,692,210</b>	<b>5,181,854</b>
	71	387	439	897	536
	1,674,787	1,941,497	9,004,449	12,620,733	9,120,231
	90,860	23,433	-	114,293	84,409
	(57)	(77)	(143)	(277)	-
	<b>1,765,661</b>	<b>1,965,240</b>	<b>9,004,745</b>	<b>12,735,646</b>	<b>9,205,176</b>
	331,748	22,209	-	353,957	240,350
	1,574,948	2,175,303	-	3,750,249	2,854,052
	-	19,241	6,209,464	6,228,705	4,730,685
	2,217,853	1,529,646	(18,849)	3,728,650	2,546,311
	<b>4,124,549</b>	<b>3,746,399</b>	<b>6,190,615</b>	<b>14,061,563</b>	<b>10,371,398</b>
	10,614	48,827	-	59,441	50,100
	133,558	815,710	170,899	1,120,167	1,008,477
	221,826	876,849	413,459	1,512,134	1,370,922
	<b>365,998</b>	<b>1,741,386</b>	<b>584,358</b>	<b>2,691,742</b>	<b>2,429,499</b>
	<b>541,101</b>	<b>903,678</b>	<b>2,229,772</b>	<b>3,674,551</b>	<b>1,586,133</b>
	(13,823)	(439,977)	(583,105)	(1,036,905)	10,909
	<b>527,278</b>	<b>463,701</b>	<b>1,646,667</b>	<b>2,637,646</b>	<b>1,597,042</b>

## SUPPLEMENTARY INFORMATION

## APPENDIX II

## COMPANY LONG TERM REVENUE ACCOUNT

	Other Superannuation	Ordinary Life Fund	Deposit Administration	Total 2021	Total 2020
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Gross earned premiums</b>	3,392,493	3,663,225	-	7,055,718	4,835,074
Less: reinsurance premiums ceded	(271,371)	(35,076)	-	(306,447)	(361,360)
<b>Net earned premiums</b>	<b>3,121,122</b>	<b>3,628,149</b>	<b>-</b>	<b>6,749,271</b>	<b>4,473,714</b>
Investment income	1,621,035	1,678,303	8,713,183	12,012,521	8,594,675
Commissions earned	67,597	20,471	-	88,068	159,624
<b>Total investment and other income</b>	<b>1,688,632</b>	<b>1,698,774</b>	<b>8,713,183</b>	<b>12,100,589</b>	<b>8,754,299</b>
Claims paid; life and death	242,334	5,900	-	248,234	175,191
Surrenders/annuities	1,571,300	1,896,101	-	3,467,401	2,702,793
Interest payable to policyholders	-	-	5,999,234	5,999,234	4,576,222
Adjustment in actuarial liabilities	2,170,462	1,337,814	-	3,508,276	2,352,371
<b>Total claims</b>	<b>3,984,096</b>	<b>3,239,815</b>	<b>5,999,234</b>	<b>13,223,145</b>	<b>9,806,577</b>
Premium tax	6,563	36,708	-	43,271	37,876
Commissions payable	90,065	677,544	167,500	935,109	857,233
Operating expenses	163,474	680,614	392,800	1,236,888	1,161,880
<b>Total expenses</b>	<b>260,102</b>	<b>1,394,866</b>	<b>560,300</b>	<b>2,215,268</b>	<b>2,056,989</b>
<b>Increase/(Decrease) in funds during the year</b>	<b>565,556</b>	<b>692,242</b>	<b>2,153,649</b>	<b>3,411,447</b>	<b>1,364,447</b>
Income tax expense	(4,781)	(396,509)	(535,166)	(936,456)	86,508
<b>Increase in funds after tax</b>	<b>560,775</b>	<b>295,733</b>	<b>1,618,483</b>	<b>2,474,991</b>	<b>1,450,955</b>

## SUPPLEMENTARY INFORMATION

## APPENDIX III

CONSOLIDATED SHORT TERM REVENUE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Fire industrial Shs'000	Fire domestic Shs'000	Personal accident Shs'000	Medical Shs'000	Workmen's compensation Shs'000	Marine Shs'000	Engineering Shs'000	Public liability Shs'000	Theft Shs'000	Miscellan- eous Shs'000	Motor private Shs'000	Motor commercial Shs'000	2021 Total Shs'000
Gross Premium written	63,486	1,086	118,217	33,374	32,223	178,226	12,757	116,327	118,167	109,457	97,653	20,203	901,176
Changes in gross UPR	(268)	(46)	3,883	(77)	580	(13,142)	(47)	(3,471)	9,594	1,573	(2,012)	(351)	(3,784)
Gross earned premiums	63,218	1,040	122,100	33,296	32,802	165,084	12,710	112,856	127,761	111,030	95,641	19,852	897,392
Less: Reinsurance payable	(55,004)	(204)	(90,755)	(33,297)	(32,803)	(123,803)	(11,332)	(18,562)	(6,895)	(82,120)	(68,832)	(6,973)	(515,549)
<b>Net earned premium</b>	<b>8,214</b>	<b>836</b>	<b>31,345</b>	<b>4,756</b>	<b>10,272</b>	<b>41,281</b>	<b>1,378</b>	<b>94,294</b>	<b>120,866</b>	<b>28,910</b>	<b>26,810</b>	<b>12,880</b>	<b>381,843</b>
Claims paid	9,617	707	6,100	2,815	29,074	95,411	-	41,968	48,482	29,373	14,801	16,001	294,349
Changes in gross outstanding claims	77	(1)	(2,290)	1,806	52	10,239	-	(25,431)	48,482	3,646	3,783	4,414	14,272
Claims recoverable	(6,897)	-	(4,606)	(2,339)	(27,439)	(73,957)	-	(14,520)	(1,158)	(18,388)	(3,617)	(7,969)	(160,890)
<b>Total claims incurred</b>	<b>2,797</b>	<b>706</b>	<b>(796)</b>	<b>2,282</b>	<b>1,687</b>	<b>31,693</b>	<b>-</b>	<b>2,017</b>	<b>95,806</b>	<b>14,631</b>	<b>14,967</b>	<b>12,446</b>	<b>147,732</b>
Commissions payable	13,621	177	27,353	5,413	5,860	19,850	2,648	15,234	14,535	22,895	9,876	4,228	141,690
Commissions receivable	(15,659)	(11)	(26,892)	(6,488)	(5,551)	(18,012)	(2,679)	(2,676)	(713)	(23,969)	(12,233)	(1,971)	(116,854)
Operating expenses	15,675	268	29,189	8,240	7,956	44,005	3,150	28,722	29,176	27,026	24,111	4,988	222,506
<b>Total expenses</b>	<b>13,637</b>	<b>434</b>	<b>29,650</b>	<b>7,165</b>	<b>8,265</b>	<b>45,843</b>	<b>3,119</b>	<b>41,280</b>	<b>42,998</b>	<b>25,952</b>	<b>21,754</b>	<b>7,245</b>	<b>247,345</b>
<b>Underwriting profit/(loss)</b>	<b>(8,221)</b>	<b>(305)</b>	<b>2,491</b>	<b>(4,691)</b>	<b>320</b>	<b>(36,255)</b>	<b>(1,741)</b>	<b>50,997</b>	<b>12,568</b>	<b>(11,673)</b>	<b>(9,912)</b>	<b>(6,812)</b>	<b>(13,234)</b>

## SUPPLEMENTARY INFORMATION

## APPENDIX III

 CONSOLIDATED SHORT TERM REVENUE ACCOUNT  
 FOR THE YEAR ENDED 31 DECEMBER 2020

	Fire industrial Shs'000	Fire domestic Shs'000	Personal accident Shs'000	Medical Shs'000	Workmen's compensation Shs'000	Marine Shs'000	Engineering Shs'000	Public liability Shs'000	Theft Shs'000	Miscellan- eous Shs'000	Motor private Shs'000	Motor commercial Shs'000	2020 Total Shs'000
Gross Premium written	104,874	1,550	104,853	110,567	20,151	25,332	43,117	36,401	59,880	9,878	116,177	123,033	755,813
Changes in gross UPR	(1,237)	(4)	(1,715)	(737)	1,565	(174)	692	376	(78)	11	(10,662)	(845)	(12,808)
Gross earned premiums	103,637	1,546	103,138	109,830	21,716	25,158	43,809	36,777	59,802	9,889	105,515	122,188	743,005
Less: Reinsurance payable	(77,015)	(466)	(74,589)	(77,465)	(9,441)	(17,249)	(37,641)	(31,835)	(35,234)	(9,393)	(11,550)	(28,370)	(410,248)
<b>Net earned premium</b>	<b>26,622</b>	<b>1,080</b>	<b>28,549</b>	<b>32,365</b>	<b>12,275</b>	<b>7,909</b>	<b>6,168</b>	<b>4,942</b>	<b>24,568</b>	<b>496</b>	<b>93,965</b>	<b>93,818</b>	<b>332,757</b>
Claims paid	39,039	488	53,719	82,116	9,333	3,617	73,966	1,752	5,134	23	37,034	22,033	328,254
Changes in gross outstanding claims	237	(73)	4,823	697	1,238	258	(792)	5,283	1,311	557	(121)	2,629	16,047
Claims recoverable	(35,384)	-	(47,891)	(63,749)	(3,941)	(3,385)	(68,949)	(2,224)	-	(18)	(3,998)	(594)	(230,133)
<b>Total claims incurred</b>	<b>3,892</b>	<b>415</b>	<b>10,651</b>	<b>19,064</b>	<b>6,630</b>	<b>490</b>	<b>4,225</b>	<b>4,811</b>	<b>6,445</b>	<b>562</b>	<b>32,915</b>	<b>24,068</b>	<b>114,168</b>
Commissions payable	24,266	318	22,683	12,182	4,740	5,119	10,235	5,457	8,441	1,912	13,703	15,231	124,287
Commissions receivable	(20,385)	(58)	(22,239)	(22,546)	(2,968)	(5,506)	(12,071)	(8,503)	(10,107)	(2,766)	(2,470)	(6,375)	(115,994)
Operating expenses	28,231	417	28,226	29,764	5,424	6,819	11,607	9,799	16,119	2,659	31,274	33,121	203,460
<b>Total expenses</b>	<b>32,112</b>	<b>677</b>	<b>28,670</b>	<b>19,400</b>	<b>7,196</b>	<b>6,432</b>	<b>9,771</b>	<b>6,753</b>	<b>14,453</b>	<b>1,805</b>	<b>42,507</b>	<b>41,977</b>	<b>211,753</b>
<b>Underwriting profit/(loss)</b>	<b>(9,382)</b>	<b>(12)</b>	<b>(10,772)</b>	<b>(6,099)</b>	<b>(1,551)</b>	<b>987</b>	<b>(7,828)</b>	<b>(6,622)</b>	<b>3,670</b>	<b>(1,871)</b>	<b>18,543</b>	<b>27,773</b>	<b>6,836</b>



## APPENDICES

---

# 07

# CORPORATE INFORMATION

## REGISTERED OFFICE

ICEA LION Centre  
Riverside Park  
Chiromo Road, Westlands  
P.O. Box 46143 - 00100 Nairobi  
Tel: +254 (0) 20 2750000  
Mobile: +254 719 071000 | +254 730 151000  
Contact Centre: +254 719 071999 | +254 730 151999  
+254 (0) 20 2750999  
Email: info@icealion.com

## SUBSIDIARY COMPANIES

**ICEA General Insurance Company Limited**  
G Kuria Chief Executive Officer

**ICEA Life Assurance Company Limited**  
E Mwaka Chief Executive Officer

## SECRETARY

Kennedy M Ontiti  
Certified Public Secretary (Kenya)  
First Chartered Securities Limited  
ICEA LION Center, Riverside Park  
Chiromo Road, Westlands  
P.O Box 30345 – 00100 Nairobi

## AUDITOR

KPMG Kenya  
Certified Public Accountants  
8<sup>th</sup> Floor, ABC Towers, Waiyaki Way  
P.O. Box 40612 - 00100  
Nairobi, Kenya

## ADVOCATES

Dentons Hamilton Harrison & Mathews  
Delta Office Suites, 1st Floor Block A  
Off Waiyaki Way, Muthangari  
P.O. Box 30333 - 00100  
Nairobi

## CONSULTING ACTUARIES

Zamara Actuaries, Administrators and Consultants Limited  
Landmark Plaza, 10th Floor  
Argwings Kodhek Rd  
P.O. Box 52439, 00200  
Nairobi

## BANKERS

NCBA Bank Kenya PLC  
City Centre Branch  
P.O Box 30090 – 00100  
Nairobi, Kenya

Standard Chartered Bank Kenya Limited  
Kenyatta Avenue Branch  
P.O Box 30003 – 00100  
Nairobi, Kenya

# CORPORATE SOCIAL RESPONSIBILITY (CSR) & INVESTMENT (CSI) 2013 -2021

## ICEA LION GROUP CORPORATE SOCIAL RESPONSIBILITY SUPPORT - JANUARY 2013 - DECEMBER 2020

No.	Project	Description	Category	Group Cost	Life Assurance	General Insurance
<b>2013</b>						
1	Kenya Paraplegic Organization	Bring Zack Back Campaign	Health	200,000.00	100,000.00	100,000.00
2	Kenya Paraplegic Organization	Charity Golf Tournament	Health	200,000.00	100,000.00	100,000.00
3	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	200,000.00	100,000.00	100,000.00
4	The Association of Kenya Insurers	Annual Medical Camp	Health	50,000.00	25,000.00	25,000.00
5	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	100,000.00	50,000.00	50,000.00
6	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	200,000.00	-	200,000.00
7	Rhino Ark Charitable Trust	Support of Rhino Charge Team	Environment	100,000.00	50,000.00	50,000.00
8	Kahawa Garisson	High School Project	Education	300,000.00	150,000.00	150,000.00
9	August 7 Memorial Trust	In Support of the Needy	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
10	SOS Children's Villages	In Support of the Needy Children	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
11	Lions Club of Kenya	Charity Golf Tournament	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
12	Faraja Cancer Support Trust	Faraja Cancer Centre Development	Health	2,000,000.00	1,000,000.00	1,000,000.00
13	KCB Safari Rally	Official Event Insurer June 2013 - June 2014	Brand Equity - Sports	1,000,000.00	-	1,000,000.00
<b>Total Support Amount</b>				<b>4,800,000.00</b>	<b>1,800,000.00</b>	<b>3,000,000.00</b>
<b>2014</b>						
1	Alexis Foundation	Charity Golf Tournament	Education	75,000.00	37,500.00	37,500.00
2	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	500,000.00	250,000.00	250,000.00
3	Heart to Heart Foundation	Heart Run (Karen Hospital)	Health	50,000.00	25,000.00	25,000.00
4	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
5	Faraja Cancer Support Trust	Purchase of Branded Tee Shirts	Health	200,000.00	100,000.00	100,000.00
6	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
7	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	100,000.00	50,000.00	50,000.00
8	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
9	The Association of Kenya Insurers	Annual Medical Camp - Kamangu Primary - Kiambu	Health	50,000.00	25,000.00	25,000.00
10	Drumbeat Ltd - Amazing Maasai Marathon	Supporting Girl Child Secondary Education in Maasailand - Official Event Insurer	Education	130,000.00	65,000.00	65,000.00
11	The Kenya Red Cross	Annual Gala Dinner for the Disaster Kitty	Special Projects - Disaster Preparedness	300,000.00	-	300,000.00
12	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
<b>Total Support Amount</b>				<b>1,835,299.00</b>	<b>767,649.50</b>	<b>1,067,649.50</b>

# CORPORATE SOCIAL RESPONSIBILITY (CSR) & INVESTMENT (CSI) 2013 -2021

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
<b>2015</b>						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	-	50,000.00
2	Special Olympics Kenya	3 Air Tickets for Special Olympics Swim Team	Special Projects - Sports	500,000.00	250,000.00	250,000.00
3	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	-	300,000.00
5	The Association of Kenya Insurers	Annual Medical Camp - Ngurubaini Primary School - Mwea	Health	70,000.00	35,000.00	35,000.00
6	Consolata Youth Rehabilitation Programme	COYREP & ICEA LION Visit To Clean Up Deep Sea Slum	Brand Equity - Environment	100,000.00	50,000.00	50,000.00
7	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
8	Wema Centre Trust	Annual Fund Raising Dinner	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
9	Help Baby Ivannah	Medical Bill Support For The Late Baby Ivannah	Special Projects - Support of Needy	30,000.00	15,000.00	15,000.00
10	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
11	KCB Safari Rally	Official Event Insurer Jun 2014 - Dec 2015	Brand Equity - Sports	3,000,000.00	-	3,000,000.00
<b>Total Support Amount</b>				<b>4,690,254.00</b>	<b>670,127.00</b>	<b>4,020,127.00</b>
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
<b>2016</b>						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
2	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	150,000.00	150,000.00
5	Association of Kenya Insurers	Joint Insurers Pensions Awareness Campaign	Special Projects - Financial Literacy	1,000,000.00	500,000.00	500,000.00
6	Jockey Club of Kenya - Horse Derby	111th Kenya Derby Prize Money For Riders	Brand Equity - Sports	1,000,000.00	500,000.00	500,000.00
7	Jockey Club of Kenya - Horse Derby	Social Media Boosting to Advertise Event	Brand Equity - Sports	17,492.80	8,746.40	8,746.40
8	Duke of Edinburgh's Presidential Award Scheme	Feeding Youth During Mt. Kenya Climb	Education	500,000.00	250,000.00	250,000.00
9	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
10	East African & Kenya Motor Sports Club	FIM MotoCross Of African Nations 2016	Brand Equity - Sports	500,000.00	250,000.00	250,000.00
11	East African Motor Sports Club	Refurbishing 16 Spectator Stands & Constructing 14 new ones	Brand Equity - Sports	1,397,000.00	698,500.00	698,500.00
12	The Association of Kenya Insurers	Annual Medical Camp - Karagita - Naivasha	Health	85,000.00	42,500.00	42,500.00
13	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
<b>Total Support Amount</b>				<b>5,199,791.80</b>	<b>2,599,895.90</b>	<b>2,599,895.90</b>
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
<b>2017</b>						
1	The Association of Kenya Insurers	Annual Medical Camp - Gatanga - Thika	Health	85,000.00	42,500.00	42,500.00
2	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	500,000.00	300,000.00	200,000.00
<b>Total Support Amount</b>				<b>645,045.00</b>	<b>372,522.50</b>	<b>272,522.50</b>
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
<b>2018</b>						
1	The Association of Kenya Insurers	Annual Medical Camp - Matuu - Machakos	Health	90,000.00	45,000.00	45,000.00
2	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	500,000.00	200,000.00
<b>Total Support Amount</b>				<b>790,000.00</b>	<b>545,000.00</b>	<b>245,000.00</b>

2019						
1	The Association of Kenya Insurers	Annual Medical Camp - Isinya	Health	90,000.00	45,000.00	45,000.00
2	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	-	700,000.00
Total Support Amount				790,000.00	45,000.00	745,000.00
2020						
1	Lewa Wildlife Conservancy	Virtual Lewa Marathon	Brand Equity - Environment	100,000.00	50,000.00	50,000.00
2	National Emergency Response Committee	COVID-19 Pandemic Support	Health & Special Projects	10,000,000.00	5,000,000.00	5,000,000.00
Total Support Amount				10,100,000.00	5,050,000.00	5,050,000.00
2021						
1	The Academy of Dance and Arts Ltd	Grease Musical Show Sponsorship	Brand Equity - Special Projects	250,000.00	-	250,000.00
2	Wema Centre	Sponsorship for Wemathon	Brand Equity - Sports	50,000.00	-	50,000.00
Total Support Amount				300,000.00	-	300,000.00
<b>TOTAL CORPORATE SOCIAL</b>				<b>29,155,389.80</b>	<b>11,852,694.90</b>	<b>17,302,694.90</b>

**SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2021**

**ICEA LION GROUP CORPORATE SOCIAL INVESTMENT SUPPORT - OCTOBER 2016 - DECEMBER 2020**

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2016 - 2017						
1		Warrior Watch & Lion Monitoring Equipment		862,554.00	431,277.00	431,277.00
2	Ewaso Lions - Lion Conservation Project	Production of the Lion Conservation Video	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	3,838,634.00	1,919,317.00	1,919,317.00
3		Promoting the Lion Conservation Video & Initiative on Social Media (Facebook, Instagram & YouTube)		600,000.00	300,000.00	300,000.00
4	Kenya Wildlife Service (KWS) National Lion Census	KWS Methodology & Standardization Workshop Sponsorship		462,000.00	231,000.00	231,000.00
5		National Lion Census - Phase I - Lake Nakuru National Park		821,167.00	410,583.50	410,583.50
Total Support Amount				6,584,355.00	3,292,177.50	3,292,177.50
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2018						
1		ICEA LION Staff Immersion & Sensitization Videography & Photography		194,880.00	97,440.00	97,440.00
2	Lewa Wildlife Conservancy	Conservation Education Programme - 15 Schools, 690 Students, 60 Teachers from Northern Kenya for 2 Days	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	3,515,000.00	3,987,000.00	3,987,000.00
3		Conservation Education Programme - ICEA LION Staff immersion		200,000.00	100,000.00	100,000.00
4		Lion Predator Monitoring Programme		472,000.00	236,000.00	236,000.00
Total Support Amount				4,381,880.00	2,190,940.00	2,190,940.00
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2019						
1	Kenya Wildlife Service (KWS) National Lion Census	National Lion Census - Census Equipment for 5 Regions		1,701,925.00	850,962.50	850,962.50
2		ICEA LION Staff Immersion & Sensitization Videography & Photography	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	194,880.00	97,440.00	97,440.00
3	Lewa Wildlife Conservancy	Conservation Education Programme - ICEA LION Staff immersion with Bardassa Secondary School		200,000.00	100,000.00	100,000.00
4		Lion Predator Monitoring Programme		472,000.00	236,000.00	236,000.00
Total Support Amount				2,568,805.00	1,284,492.50	1,284,492.50
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2020						
1	Lewa Wildlife Conservancy	Fund Raising Gala Dinner: Chief Guest: Eliud Kipchoge	Brand Equity - Environment	600,000.00	300,000.00	300,000.00
2	Organization of East & Southern African Insurers (OESAI)	Sponsored OESAI Sustainability Conference	Brand Equity - Environment	600,000.00	300,000.00	300,000.00
Total Support Amount				1,200,000.00	600,000.00	600,000.00
<b>TOTAL CORPORATE SOCIAL</b>				<b>14,735,040.00</b>	<b>7,367,520.00</b>	<b>7,367,520.00</b>
<b>TOTAL CORPORATE SOCIAL RESPONSIBILITY &amp; INVESTMENT SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2021</b>				<b>43,890,429.80</b>	<b>19,220,214.90</b>	<b>24,670,370.90</b>

These costs exclude the launch event activities & related logistical costs

# AWARDS & ACCOLADES 2012 - 2021 & GCR RATING



## THINK BUSINESS AWARDS

### WINNER

General Insurer of the Year - 2017, 2014  
 Lifetime Achievement Award: CEO: **Steven Oluoch** - 2018  
 Best Insurer in Product Distribution & Marketing - 2017  
 Corporate Risk Manager of the Year: **Dorothy Maseke** - 2018, 2017  
 Training - 2016  
 Customer Satisfaction - 2016  
 Customer Service - 2018, 2017  
 Claims Settlement - 2018, 2015  
 Risk Management - 2015  
 Best Insurer in Sustainable CSR - 2018  
 Major Loss Award - 2012  
 Best Company in Technology & Digital Applications - 2018

### 1ST RUNNERS UP

Best Insurer in Sustainable CSR - 2017  
 Customer Service - 2016, 2014  
 Risk Management Award - 2017, 2014  
 Marketing Initiative of the Year - 2012  
 Most Innovative Insurance Company - 2018  
 Best Insurance Company in Product Distribution & Marketing - 2018  
 Training - 2015,  
 Fraud Detection & Prevention - 2018, 2016, 2015

### 2ND RUNNERS UP

General Insurer of the Year - 2018, 2016, 2015  
 Training - 2018, 2014  
 Fraud Detection & Prevention - 2017, 2014  
 Claims Settlement - 2016

## ICPSK CHAMPIONS OF GOVERNANCE AWARDS

### WINNER

Insurance Sector: 2018, 2017  
 Company Secretary of the Year: **Kennedy Ontiti** - 2016, 2015

### 1ST RUNNERS UP

Insurance Sector: 2016, 2015  
 Company Secretary of the Year: **Kennedy Ontiti** - 2018

### 2ND RUNNERS UP

Overall Champions of Governance Award - 2018  
 CEO of the Year: **Steven Oluoch** - 2016  
 Insurance Sector: 2016  
 Company Secretary of the Year: **Kennedy Ontiti** - 2017

## EAST AFRICAN MARITIME AWARDS

### WINNER

Marine Cargo Insurer - 2018

## INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (ICPAK) FINANCIAL REPORTING (FiRe) AWARDS

### 1ST RUNNERS UP

Insurance Category - 2019

### 2ND RUNNERS UP

Insurance Category - 2018

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

### WINNER

CEO of the Year: **Steven Oluoch** - 2017  
 Financial Management Determinant - 2017

## DELOITTE'S BEST COMPANY TO WORK FOR AWARDS

### WINNER

Insurance Sector - 2014, 2015

### 1ST RUNNERS UP

Overall: Mid-Size Companies (under 500 employees) - 2016

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

**WINNER**

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

**INSTITUTE OF CUSTOMER SERVICE – ICS KENYA AWARDS**

**WINNER**

Insurance Sector - 2014

INSURANCE INSTITUTE OF KENYA (IIK) ANNUAL QUIZ

**WINNER 2017**

INTERNATIONAL SAFETY TRAINING CENTRE AWARD

**WINNER**

International Workplace Safety Award - 2019



Public credit rating report | Kenya Insurance | September 2021

**ICEA LION Life Assurance Company Limited**

Rated entity / Issue	Rating class	Rating scale	Rating	Outlook/Watch
ICEA LION Life Assurance Company Limited	Financial strength	National	AA <sub>(KE)</sub>	Stable Outlook

ASSOCIATION OF KENYA INSURERS (AKI) SPORTS DAY

**WINNER**

Indoor Games - 2019, 2018  
 Swimming - 2019

**1ST RUNNERS UP**

Overall Champions - 2019 , 2018, 2016  
 Track & Field Games Champions - 2019, 2018  
 Auxiliary Games, Indoor Games, Volleyball and Athletics Games Champions - 2016

AFRICAN CRISTAL MEDIA & ADVERTISING AWARDS - MOROCCO

**2ND RUNNERS UP**

Digital Insurance Category - 2019

**AWARDS & ACCOLADES  
 2012 - 2021  
 & GCR RATING**



# 2020 & 2021 ASSOCIATION OF KENYA INSURERS (AKI) AGENTS OF THE YEAR AWARDS

2021 | Winner: COMPANY OF THE YEAR; MOST NUMBER OF POLICIES SOLD  
2021 | Winner: MOST IMPROVED COMPANY OF THE YEAR AWARD FROM 31 TO 89 QUALIFIERS

2021 | 1<sup>st</sup> Runners Up: COMPANY OF THE YEAR AWARD

2021 | 1<sup>st</sup> Runners Up: GROUP LIFE AWARD: MINIMUM LOSS RATIO

2020 | 1<sup>st</sup> Runners Up: COMPANY OF THE YEAR AWARD



Our ICEA LION Life Assurance Agency Network decked out as we departed for the AKI Awards at the Carnivore Grounds!



Patricia Kihara, our Manager, Ordinary Life & Branches raises the much deserved trophy for the WINNER AWARD: MOST NUMBER OF POLICIES SOLD! Her exemplary leadership has been instrumental in reaching this milestone for ICEA LION LIFE ASSURANCE!



Our unstoppable ICEA LION Team jubilant at our victory!



Asman Mugambi, GM - Business Development & Technical Services as well as Patricia Kihara, Manager - Ordinary Life & Branches receive the 1<sup>st</sup> Runners Up Award for Company of the Year.

# REPORTING GUIDANCE INDEX

BASED ON INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC) FRAMEWORK

TOPIC	CONTENT ELEMENT NO.	PAGE NO.
Organisations Overview & External Environment	4A	7-39, 67 - 70
Governance	4B	41 - 58
Business Model	4C	37
Risks & Opportunities	4D	60 - 66
Strategy & Resource Allocation	4E	38 - 39
Performance	4F	23 - 31, 38, 95-182
Outlook	4G	33
Basis of Preparation & Presentation	4H	4-5
General Reporting Guidance	4I	<ul style="list-style-type: none"> <li>• 4-74</li> <li>• 75-93</li> <li>• 5, 72</li> <li>• 8-11</li> </ul>



## ICEA LION'S INTEGRATED LAB

Our team that spearheaded and continues to champion Integrated Thinking and delivered the 2021 Integrated Report that was developed and designed in-house.

Special thanks to our in-house designer **Mwangi Kariuki** for his creative and tireless efforts.

**Zipporah Chege**

Chief Financial Officer  
ICEA LION General Insurance

**Dorothy Maseke**

Group Manager  
Risk & Compliance  
ICEA LION Group

**Nkatha Gitonga**

Group Manager  
Marketing & Communications  
ICEA LION Group

**Kevin Nyakeri**

Chief Financial Officer  
ICEA LION Life Assurance

We appreciate these dedicated seven from our Finance and Actuarial teams who worked diligently to deliver on Section 6 - 2021 Audited Financial Statements - of our Integrated Report



Robert Kanyi

Burton Nderitu

Gabriel Kilonzo

Margaret Ndungu

Julius Irungu

Simon Ndungu

Josephat Wahome







**ICEA LION**  
LIFE ASSURANCE

ICEA LION Centre, Riverside Park,  
Chiromo Road, Westlands  
PO Box 46143 - 00100 Nairobi  
Tel: +254 (0) 20 2750000  
Mobile: 0719 071000 | 0730 151000  
Contact Centre: 0719 071999  
Email: [info@icealion.com](mailto:info@icealion.com)