



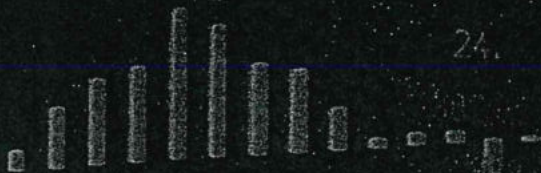
KENYA RE
STRENGTH AND WISDOM BEYOND BORDERS



KENYA RE

ANNIVERSARY

20 | ANNUAL 19 | REPORT





50 years of inspiring growth (in our people & businesses) by securing your future

WHO WE ARE

CORPORATE VISION

Global partner in securing the future.

CORPORATE MISSION

We provide risk management solutions that secure the future and create value for stakeholders

CORE VALUES

Kenya Re pledges that in all its organizational activities and decisions will be based on and guided by the following values:

- Learning & Innovation
- Integrity
- Service Culture
- Teamwork
- Objectivity
- Good Corporate Citizenship

STATEMENT OF PURPOSE:

Seamless stability

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KENYA REINSURANCE CORPORATION LIMITED

GROUP INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS

Chiboli Shakaba	Chairman
Jadiah Mwarania	Managing Director
Ukur Yatani Kanacho	Cabinet Secretary, The National Treasury
David Kemei	
Felix Okatch	
Jasper Mugambi	Elected on 14 June 2019
Maina Mukoma	
Eric Gumbo	Elected on 14 June 2019
Thamuda Hassan	Elected on 14 June 2019
Anthony Munyao	
Jennifer Karina	

SECRETARY

Charles Kariuki
Registration No. R/CPS B/2305
Certified Public Secretary (Kenya)
Reinsurance Plaza, Taifa Road
P.O. Box 30271 – 00100 GPO Nairobi, Kenya

REGISTERED OFFICE

Reinsurance Plaza
Taifa Road
P.O. Box 30271 – 00100 GPO Nairobi, Kenya

BANKERS

KCB Bank Kenya Limited
Moi Avenue
P.O. Box 30081 – 00100 GPO Nairobi, Kenya

Citibank NA

Citibank House, Upper Hill
P.O. Box 3071 - 00100 Nairobi, Kenya

Bank of Africa

Residence Verdier A13 1ER ET
01 BP 7539 Abidjan 01 Plateau, Cote d'Ivoire

Citibank Zambia Limited

Citibank House
Stand 4646 Addis Ababa Roundabout
P.O. Box 30037 - 10101 Lusaka, Zambia

Actuarial Services (East Africa) Limited

10th Floor Victoria Towers
Kilimanjaro Avenue, Upper hill
P.O. Box 10472 – 00100 GPO Nairobi, Kenya

SHARE REGISTRARS

Image Registrars Limited
Barclays Plaza, Loita Street, 5th Floor
P.O. Box 9287 – 00100 GPO Nairobi, Kenya

ADVOCATES

Mose, Mose Milimo & Company Advocates

Comcraft House, 3rd Floor
Haile Selassie Avenue
P.O. Box 9403 – 00200
Nairobi, Kenya

M.A. Otega & Company Advocates

Anniversary Towers, South Tower
Mezzanine 2, University Way
P.O. Box 46630 – 00100 GPO
Nairobi, Kenya

Kaplan & Stratton Advocates

Williamson House
4th Ngong Avenue
P.O. Box 40111 – 00100
Nairobi, Kenya

SUBSIDIARIES

Kenya Reinsurance Corporation Ltd Côte d'Ivoire

01 Bp 7539 Abidjan 01
Immeuble Sayegh; 3ème étage
Rue des Jardins en face de Nice Cream
Cocody VALON

Kenya Reinsurance Corporation Zambia Limited

D.G Office Park, No. 1 Chila Road
Kabulonga, Lusaka
P.O. Box 30578 10101, Zambia

Kenya Reinsurance Corporation Uganda SMC Limited

Redstone House, First Floor
Bandali Rise Bugolobi
P.O Box 34988
Kampala, Uganda

AUDITORS

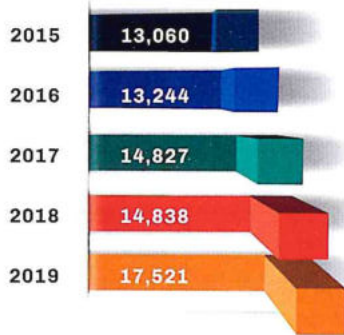
Auditor General
Kenya National Audit Office
P.O. Box 30084 – 00100 GPO Nairobi, Kenya

CONSULTING ACTUARIES

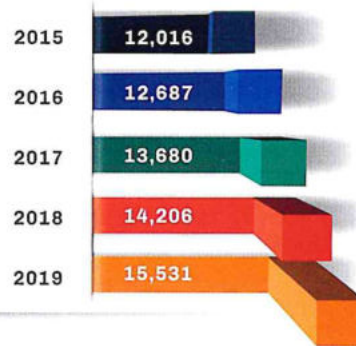
Zamara Actuaries, Administrators & Consultants Limited
10th Floor, Landmark Plaza
Argwings Kodhek Road
P.O. Box 52439 - 00200 City Square Nairobi, Kenya

FIVE YEAR PERFORMANCE TREND

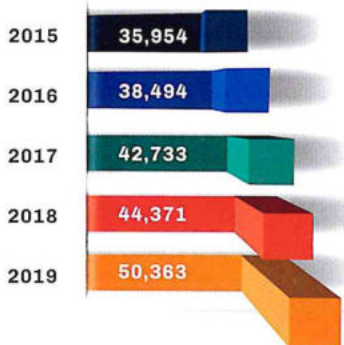
Gross Premiums in Kshs. Millions



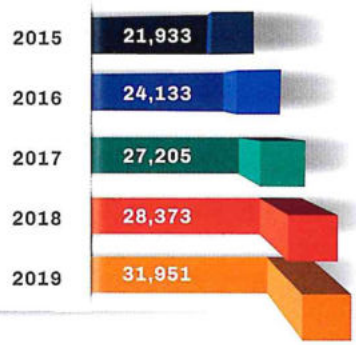
Net Premiums in Kshs. Millions



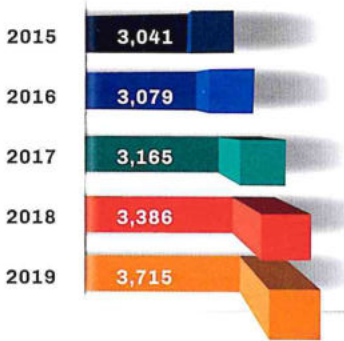
Total Assets in Kshs. Millions



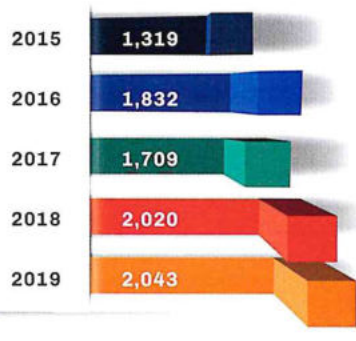
Shareholders' funds in Kshs. Millions



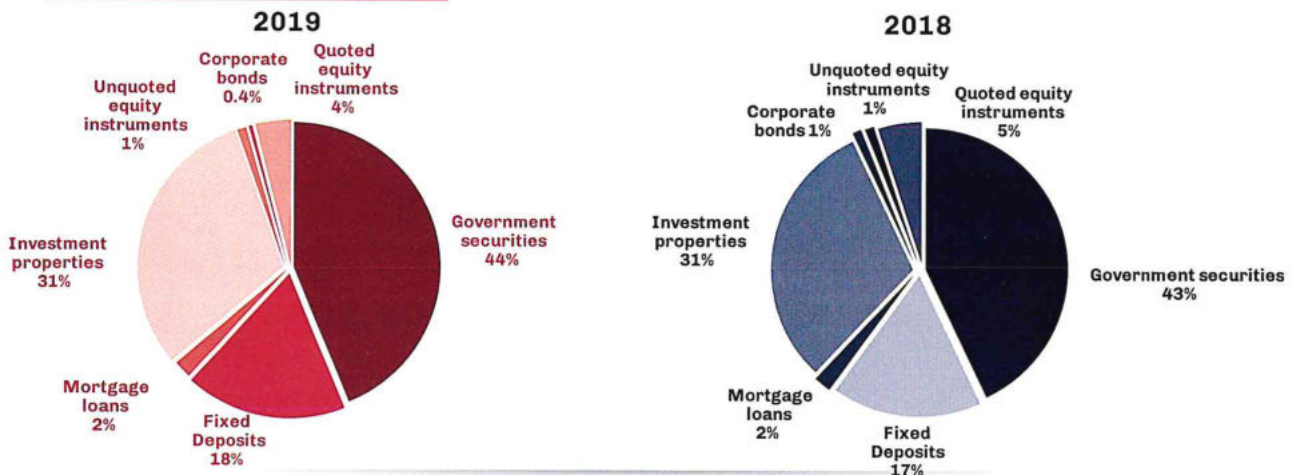
Investment Income in Kshs. Millions



Management Expenses in Kshs. Millions



INVESTMENT MIX



NOTICE OF THE 2020 ANNUAL GENERAL MEETING

Notice is hereby given that the **22ND ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED** will be held electronically on **Friday, 9th October 2020 at 11.00 a.m.** when the following business will be transacted, namely:

AGENDA

1. Constitution of the Meeting - To read the notice convening the Meeting and determine if a quorum is present.
2. To receive, consider and, if approved, adopt the Corporation's audited Financial Statements for the year ended 31st December 2019 together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To approve payment of a first and final dividend of **KShs.0.10** per share for the financial year ended 31st December 2019 to the shareholders registered in our books as at 9th October 2020 to be paid on or about 20th November 2020.
4. Election of Directors:
 - a) In accordance with Article 110 of the Corporation's Articles of Association, the following Directors retire by rotation and, being eligible, offer themselves for re-election:
 - i. Mr. Anthony Muthama Munyao
 - ii. Mr. David Kibet Kemei
 - iii. Mr. Maina Mukoma
5. To approve the Directors' remuneration report for the period ended 31st December 2019.
6. Auditors
To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Auditor-General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act and Section 23 of the Public Audit Act 2015.
7. To authorise the Directors to fix the remuneration of the Auditors.
8. To authorise the Directors to appoint members of the Audit Committee of the Board.

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass the Special Resolution:
Amendment to the Articles of Association of the Company
"That, by way of special resolution Articles 62, 67 and 72 of the Articles of Association of the Company be and are hereby amended to provide for holding of Annual General Meetings and Extraordinary General Meetings virtually and for voting to be carried by electronic means."
10. To transact any other business in respect of which due notice has been received.

By Order of the Board

Charles N. Kariuki

Corporation Secretary,

Kenya Reinsurance Corporation Limited
Reinsurance Plaza, 15th Floor, Taifa Road
P.O. Box 30271-00100
Nairobi
27th August 2020

NOTES:

Notes:

1. Any member may by notice duly signed by him or her and delivered to the Corporation Secretary on the above address, not less than seven (7) days and not more than twenty one (21) days before the date appointed for the Annual General Meeting give notice of his intention to propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the Company.
2. In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related public health Regulations and directives passed by the Government of Kenya precluding *inter alia* public gatherings, it is impracticable, as contemplated under section 280 of the Companies Act 2015, for Kenya Re Limited to hold a physical general meeting in the manner prescribed in its Articles of Association. Pursuant thereto, the Company, through its Board of Directors made an application to the High Court of Kenya in Miscellaneous Application No. E680 of 2020, under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) for special dispensation for the Company to convene and conduct a virtual general meeting. The application was supported by the Capital Markets Authority as an interested party. On 29th April 2020, the High Court of Kenya made an order allowing the convening and conduct of a virtual general meeting by the Company.

Any shareholder wishing to follow the virtual meeting should register for the AGM by dialing *483*815# on their mobile telephone and following the various prompts regarding the registration process. Shareholders will not incur any cost for such registration. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance Shareholders should dial the following helpline number: 0709 170 000 from 9am to 3pm every working day.
3. Registration for the AGM opens on Wednesday 2nd September 2020 and will close on Tuesday 6th October 2020 at 11:00 am.
4. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website <https://www.kenyare.co.ke/>: (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year 2019; and (iii) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020.
5. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
 - a. sending their written questions by email to Questions.Agm@kenyare.co.ke or
 - b. to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at Reinsurance Plaza or Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street; or
 - c. sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 30271- 00100 Nairobi.

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before Wednesday 7th October 2020 at 5:00 pm.

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder by 8th October 2020. A full list of all questions received and the answers thereto will be published on the Company's website before the commencement of the General Meeting.

6. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is attached to this Notice and is available on the Company's website via this link: www.kenyare.co.ke. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street. A proxy must be signed by the appointor or his attorney duly authorized in writing, or, if the appointor is a company, either under seal, or under the hand of an officer or attorney duly authorized by the company. A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 7th October 2020 at 11.00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday 7th October 2020 11.00 am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 7th October 2020 to allow time to address any issues.
7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS)/USSD prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the livestream.
8. Duly registered Shareholders and proxies may follow the proceedings of the AGM using the livestream platform and may access the agenda. Duly registered Shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts.
9. Results of the AGM shall be published within 48 hours following conclusion of the AGM.

TAARIFA KUHUSU MKUTANO WA KILA MWAKA WA 2020

Taarifa inatolewa kuhusu **MKUTANO MKUU WA 22 WA KILA MWAKA WA SHIRIKA LA KENYA REINSURANCE LIMITED** ambao umeratibiwa kufanyika kielektroniki siku ya **Ijumaa, tarehe 9 Oktoba 2020 saa 5.00 asubuhi** wakati ambapo shughuli ifuatayo itaendeshwa:

AJENDA

1. Katiba ya Mkutano - Kusoma taarifa inayoitisha Mkutano na kubainisha ikiwa idadi inayostahili ili kuendesha mkutano imefikiwa.
2. Kupokea, kuzingatia na ikiidhinishwa, kutekeleza Taarifa ta Kifedha iliyofanyiwa ukaguzi ya Shirika kwa mwaka unaokamilikia tarehe 31 Disemba 2019 pamoja na Ripoti za Mwenyekiti, Watendaji na Wakaguzi iliyoambathishwa.
3. Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa KShs.0.10 kwa kila hisa kwa mwaka wa kifedha unaokamilikia tarehe 31 Disemba 2019 kwa wenye hisa walioorodheshwa kwenye vitabu vyetu kufikia tarehe 9 Oktoba 2020 wanaopaswa kulipwa tarehe au karibu tarehe 20 Novemba 2020.
4. Uchaguzi wa Wakurugenzi watendaji:
 - a) Kwa mujibu wa Kifungu cha 110 cha Taarifa ya Ushirika ya Shirika hili, Wakurugenzi watendaji wafuatao wanastaafu kwa mzunguko na, kwa kuwa wanastahiki, wamejitosa ulingoni ili kuchaguliwa tena:
 - i. Bw. Anthony Muthama Munyao
 - ii. Bw. David Kibet Kemei
 - iii. Bw. Maina Mukoma
5. Kuidhinisha ripoti ya malipo ya Wakurugenzi watendaji kwa kipindi kilichokamilikia tarehe 31 Disemba 2019.
6. Wakaguzi
Kubaini kuwa ukaguzi wa vitabu vya akaunti vya Shirika utaendelea kufanywa na Mkaguzi Mkuu au na shirika la ukakuzi lililoteuliwa kwa mujibu wa Sehemu ya 14 ya Sheria ya Mashirika ya Serikali na Sehemu ya 23 ya Sheria ya Ukaguzi wa Umma ya 2015.
7. Kuidhinisha Wakurugenzi watendaji kutatua malipo ya mshahara wa Wakaguzi.
8. Kuidhinisha Wakurugenzi watendaji kuteua wanachama wa Kamati ya Ukaguzi ya Bodi.

SHUGHULI MAALUM

9. Kuzingatia na, ikizingatiwa kuwa sawa, kupitisha Uamuzi Maalum:
Marekebisho kwenye Makala ya Ushirika ya Kampuni
"Kwamba, kwa njia ya uamuzi maalum wa Vifungu vya 62, 67 na 72 vya Makala ya Ushirika ya Kampuni yafanyiwe marekebisho na hii hapa yamefanyiwa marekebisho ili kutoa uwezekano wa kufanya Mikutano Mikuu ya Kila Mwaka na Mikutano Mikuu Isiyo ya Kawaida mtandaoni na kura kufanywa kwa njia ya kielektroniki."
10. Kuendesha shughuli yoyote nyingine ambayo taarifa yake ifaayo ilipokewa.

Kwa Agizo la Bodi Kuu

Charles N. Kariuki

Katibu wa Shirika,

Kenya Reinsurance Corporation Limited

Jumba la Reinsurance, Orofa ya 15, Barabara ya Taifa

S.L.P 30271-00100

Nairobi

27 Agosti 2020

VIDOKEZO:

Vidokezo:

1. Kupitia kwa ilani aliyoitoa yeye mwenyewe na ilani hiyo kufikishwa kwa Katibu wa Shirika kwenye anwani zilizopo hapo juu, mwanachama yoyote ndani ya siku zisizopita saba (7) na zisizozidi siku ishirini na moja (21) kabla ya tarehe iliyoteuliwa ya kufanyika kwa Mkutano Mkuu wa Kila Mwaka, anapaswa kutoa ilani ya nia yake ya kumteua mtu mwingine ili kuchaguliwa kwenye Bodi, ilani kama hiyo inafaa kuambatanishwa na ilani iliyotiwa saina na yule aliyependekezwa kwa utayari wake wa kuchaguliwa. Mtu huyo aliyependekezwa sio lazima awe mwanachama wa Kampuni.

2. Kuhusiana na janga tandavu linaloendelea la Virusi vya Korona 2019 (COVID-19) na Kanuni zinazohusiana za afya ya umma na maagizo yaliyopitishwa na Serikali ya Kenya yakijumuisha mkutano ya hadhara, si rahisi, ilivyo chini ya sehemu ya 280 ya Sheria ya Kampuni ya 2015, kwa kampuni ya Kenya Re Limited kufanya mkutano mkuu wa ana kwa ana kwa njia iliyobainishwa katika Makala yake ya Ushirika. Kwa mujibu wa hayo, Kampuni kupitia Halmashauri ya Wakurugenzi watendaji wake ilituma ombi kwa Mahakama Kuu ya Kenya kupitia Ombi la Ziada Nambari E680 ya 2020, chini ya kanuni za Sehemu ya 280 ya sheria za Kampuni ya 2015 (Sheria ya Kampuni) kwa utaratibu maalum ili kuruhusu Kampuni kuitisha na kuendesha mkutano mkuu mtandaoni. Ombi hili liliungwa mkono na Mamlaka ya Masoko ya Mtaji kama mhusika mwenye masilahi. Mnamo tarehe 29 Aprili 2020, Mahakama Kuu ya Kenya ilitoa agizo linaloruhusu Kampuni kuitisha na kuendesha mkutano mkuu mtandaoni.

Mwenye hisa yeyote ambaye angependa kufuatilia mkutano mtandaoni anapaswa kujisajili kwa ajili ya Mkutano Mkuu wa Kila Mwaka (AGM) kwa kupiga simu kwenye nambari *483*815# kwa simu zao za rununu na kufuata mambo yanayoibuka kuhusiana na mchakato wa usajili. Wenye hisa hawatagharamika kivyovyote kwa usajili kama huo. Ili kukamilisha mchakato wa usajili, wenye hisa watahitaji nambari zao za Kitambulisho/Pasipoti iliyotumika katika ununuzi wa hisa za na /au Nambari zao za Akaunti za CDSC iliyoko. Kwa usaidizi, Wenye hisa wanapaswa kupiga nambari ifuatayo ya usaidizi: 0709 170 000 kuanzia 3 asubuhi hadi 9 jioni kila siku ya kazi.

3. Shughuli ya kujisajili kwa Mkutano Mkuu wa Kila Mwaka (AGM) itafunguliwa siku ya Jumatano tarehe 2 Septemba, 2020 na zitafungwa siku ya Jumanne tarehe 6 Oktoba, 2020 mnamo saa 5:00 Asubuhi.
4. Kwa mujibu wa Sehemu ya 283 (2) (c) ya Sheria ya Kampuni, hati zifuatazo zinaweza kutazamwa kwenye tovuti ya Kampuni ya <https://www.kenyare.co.ke/>: (i) nakala ya Taarifa hii na fomu ya mshirika; (ii) taarifa za kifedha zilizofanyiwa ukaguzi za Kampuni mwaka wa 2019; na (iii) nakala ya Agizo la Mahakama Kuu katika Ombi la Ziada Nambari E680 la 2020.
5. Wenye hisa ambao wangependa kuuliza maswali yoyote au ufafanuzi kuhusiana na AGM wanaweza kufanya hivyo kwa:
- kutuma maswali yao yaliyoandikwa kupitia barua pepe kwa Questions.Agm@kenyare.co.ke au
 - kadri inavyowezekana, kuleta maswali yao yaliyoandikwa wao wenyewe mahali halisi pa kutuma au anwani ya barua pepe kwa ofisi iliyosajiliwa ya Kampuni katika Jumba la Reinsurance au ofisi za Image Registrars katika orofa ya 5, Jumba la Absa (lililokuwa Jumba la Barclays), Barabara ya Loita; au
 - kutuma maswali yaliyoandikwa mahali halisi pa kutuma au anwani ya barua pepe kwa posta iliyosajiliwa kwenye anwani ya Kampuni kupitia S.L.P 30271 - 00100 Nairobi.

Ni lazima wenye hisa watoe maelezo yao ya kina (majina kamili, Nambari ya Kitambulisho/Pasipoti/ Nambari ya Akaunti ya CDSC) wanapowasilisha maswali na ufafanuzi wao.

Maswali na ufafanuzi wote lazima ufike kwenye Kampuni mnamo Jumatano tarehe 7 Oktoba 2020 saa 11:00 jioni au kabla ya hapo.

Baada ya kupokewa kwa maswali na ufafanuzi, wakurugenzi watendaji wa Kampuni watatoa majibu yaliyoandikwa ya maswali yaliyopokewa kwenye anwani ya mahali halisi ya kutuma au anwani ya barua pepe iliyotolewa na Wenye hisa kufikia tarehe 8 Oktoba 2020. Orodha kamili ya maswali yaliyopokewa na maswali yaliyofuata baadaye yatachapishwa kwenye tovuti ya Kampuni kabla ya kuanza kwa Mkutano Mkuu.

6. Kwa mujibu wa Sehemu ya 298(1) ya Sheria ya Kampuni, Wenye hisa Walio na haki ya kuhudhuria na kupiga kura katika AGM wana haki ya kuteua mshirika kupiga kura kwa niaba yao. Si lazima mshirika awe mwanachama wa Kampuni lakini asipokuwa Mwenyekiti wa AGM, mshirika aliyeteuliwa atahitaji idhini ya kufikia simu ya mkononi. Fomu ya mshirika imeambathishwa kwenye Taarifa hii na inapatikana kwenye tovuti ya Kampuni kupitia kiungo hiki: www.kenyare.co.ke. Nakala halisi za fomu ya mshirika pia zinapatikana mahali yafuatayo: Ofisi za Image Registrars Limited, orofa ya 5 Jumba la Absa (lililokuwa Jumba la Barclays), Barabara ya Loita. Fomu ya mshirika lazima itiwae saina na anayetuea au wakili wake aliyeidhinishwa kwa maandishi, au ikiwa anayetuea ni kampuni, ama chini ya muhuri au chini ya saina ya afisa au wakili aliyeidhinishwa halali na kampuni. Fomu iliyojazwa ya mshirika inapaswa kutumwa kwa barua pepe info@image.co.ke au kuwasilishwa kwa Image Registrars Limited, orofa ya 5 Jumba la Absa (lililokuwa Jumba la Barclays), Barabara ya Loita, S.L.P 9287 – 00100 GPO, Nairobi, ili isifike baada ya makataa ya tarehe 7 Oktoba 2020 saa 5.00 asubuhi Mtu yeyote ambaye ameteuliwa kuwa mshirika anapaswa kuwasilisha nambari yake ya simu ya mkononi kufikia Jumatano tarehe 7 Oktoba 2020 saa 5.00 asubuhi. Mawasiliano kuhusu usajili wowote wa mshirika utakaokataliwa yatatolewa kwa washikadau wanaohusika mwisho tarehe 7 Oktoba 2020 ili kuruhusu muda wa kutatua masuala.
7. Mkutano wa AGM utaririshwa moja kwa moja kupitia kiungo ambacho kitatolewa kwa wenye hisa wote ambao wamejisajili kushiriki katika mkutano mkuu. Wenye hisa waliosajiliwa halali na mshirika yatapokea ujumbe mfupi (SMS)/USSD kwenye nambari zao za simu zilizosajiliwa, saa 24 kabla ya mkutano wa AGM kuanza hii ikiwa ni kikumbusho kuhusu mkutano. Ujumbe wa pili wa SMS/USSD utatumwa saa moja kabla ya AGM, ukiwakumbusha wenye hisa na washirika waliosajiliwa halali kwamba mkutano wa AGM utanza baada ya saa moja na kutoa kiungo cha kutiririsha moja kwa moja.
8. Wenye hisa na washirika waliosajiliwa halali wanaweza kufuatilia vikao vya mkutano wa AGM kwa kutumia jukwaa la mtiririko wa moja kwa moja na wanaweza kufikia ajenda. Wenye hisa na washirika waliosajiliwa wanaweza kupiga kura (mwenyekiti akiwaomba kufanya hivyo) kupitia ujumbe wa USSD.
9. Matokeo ya AGM yatachapishwa ndani ya saa 48 baada ya kutamatika kwa AGM.

BOARD OF DIRECTORS



Left to Right:

Chiboli Induli Shakaba | Board Chairman

Anthony Muthama Munyao - Director

David Kibet Kemei - Director

Thamuda Omar Hassan - Director

Jadiah Mwarania - Managing Director

BOARD OF DIRECTORS



Left to Right:

Erick Onyango Gumbo - Director

Jennifer Kabura Karina - Director

Felix Owaga Okatch - Director

Maina Mukoma - Director

Jasper Gitonga Mugambi - Director

Ambassador Ukur Yatani - Cabinet Secretary, National Treasury & Planning

BOARD MEMBERS PROFILES



CHIBOLI INDULI SHAKABA, 63 – CHAIRMAN, INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Shakaba holds a Bachelor of Arts Degree in Political Science from the University of Nairobi and a Master's Degree in Public Administration (MPA) from Harvard University. He has served in different capacities in the public service starting in the Provincial Administration as a District Officer between 1980 and 86. He thereafter served in various ministries of the Central Government raising to the level of Director of Administration. He has also served as an Alternate Director in various State Corporations and is a member of the Institute of Directors of Kenya. He is a recipient of the Order of the Burning Spear (MBS). He was the Permanent Secretary in the Ministry of East African Community from April 2012 to June 2013.



JADIAH MWARANIA, 55 - MANAGING DIRECTOR

Mr. Jadia Mwarania is the Managing Director of the Kenya Reinsurance Corporation Limited. He has worked with the Corporation for over 25 years and has risen through the ranks to the position of Managing Director. He holds a Bachelor of Commerce (B.com.) (Hons.) and Master of Business Administration (MBA) degrees from The University of Nairobi. He is a Fellow of the Chartered Insurance Institute of London (FCII), and the Insurance Institute of Kenya (FIK). He is currently pursuing a PhD in strategic management at the University of Nairobi. Mr. Mwarania is a Chartered Insurer (CI) of the Insurance Institute of London, the highest and the most prestigious level of professional achievement with the Institute, and a Fellow of the Kenya Institute of Management (FMKIM). He is also a member of the Board of Directors of Industrial Development Bank (IDB), Zep Re (PTA Reinsurance Company) and the Chairman Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is a Board Member of the Insurance Training and Education Trust (ITET) Board and member of the Finance and Development Board Committee of the College of Insurance of Kenya. Mr. Mwarania is a holder of the Order of Grand Warrior Award (OGW).



AMBASSADOR UKUR YATANI KANACHO, CABINET SECRETARY, NATIONAL TREASURY & PLANNING-NON-EXECUTIVE DIRECTOR

Hon. Amb. Ukur Yatani Kanacho has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury & Planning he served as the Cabinet Secretary for Labour and Social Protection since January 2018. Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary

BOARD MEMBERS PROFILES

and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others. Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where sharpened his management and administrative skills. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.



FELIX OWAGA OKATCH, 69 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Okatch is a graduate of Commerce from The University of Nairobi, holds an MBA and various post graduate qualifications. He is currently pursuing a Doctorate in Business Administration (DBA) at the Catholic University of Eastern Africa, in Nairobi. He is the author of 'Marketing Management, Integrated Perspectives', published by Kenya Literature Bureau.

Mr. Okatch is a member of the Institute of Directors of Kenya (IOD), Kenya Institute of Management (KIM) and Senior Vice Chairman at the Association of Professional Societies in East Africa (APSEA). He also serves on the board of Outward Bound Trust (K) and Council member of Karatina University. He is a past president of the Rotary Club of Westlands, Nairobi. Professionally he is a multilateral trade expert and has authored publications to UNCTAD and WTO. Mr. Okatch serves as the Chairman of the Risk and Compliance Committee of the Kenya Re Board.



MAINA MUKOMA, 63 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Mukoma holds a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi. He is an Associate of Chartered Insurance Institute of London, UK (ACII), Chartered Insurer of the Insurance Institute of London, UK (CI), Associate of Chartered Institute of Arbitrators, UK (ACIrb) and an Associate Member of the Kenya Institute of Management (AMKIM). He is an Insurance and Risk Management Consultant.

Mr. Mukoma is a trustee of the Insurance Training and Education Trust (ITET), a Director of Global Re Brokers Ltd and the Kenya country representative in the Organisation of Eastern and Southern Africa Insurers (OESAI).

Mr. Mukoma serves as the Chairman of the Finance and Strategy Committee of the Kenya Re Board.

BOARD MEMBERS PROFILES



DAVID KIBET KEMEI, 55 - INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Kemei holds a Bachelor of Commerce Degree in Accounting and a Master's in Business Administration both from the University of Nairobi. He is a Certified Public Accountant (CPA (K)) and a Certified Regulation Specialist. Mr. Kemei has over 25 years' experience in management and financial consultancy. He is currently the Chief Executive Officer at DGMB Financial Services Ltd a position he has held since January 2008.



JENNIFER KABURA KARINA, 62 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mrs. Karina holds a Higher Diploma in Psychological Counselling from the Kenya Institute of Professional Counselling and Masters of Arts degree in Counselling Psychology from Durham University. She is currently pursuing a PhD in Educational Psychology at Kenyatta University. Mrs. Karina started her career in Dawa Pharmaceuticals Limited in 1977, then moved to Ljubljanska Bank East Africa Representative Office as Manager-Operations in 1982 where she worked for 17 years. She served as a director at Narika Company Limited between 1998-2012. Between 2005 -2014 she was the Managing Director of Anchor Consult. She is currently the Chief Commissioner of the Kenya Girl Guides Association a position she has held since 2013. Mrs. Karina serves as the Chairman of the Human Resources and Nomination Committee of the Kenya Re Board.



ANTHONY MUTHAMA MUNYAO, 52 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Munyao holds a Bachelor of Arts degree from Kenyatta University, an MBA from the University of Nairobi and is a Certified Public Accountant (CPA (K)). Mr. Munyao worked with Ernst & Young from 1991 to 1997 when he moved to Agip (K) Ltd and served as finance manager up to November 2001. He then worked in a similar capacity in Kenya Shell Limited, Kenya Petroleum Refineries Limited and Vivo Energy Kenya Limited up to the year 2013. He is currently in private business. Mr. Munyao is the founder and managing director of Victorion Limited. He is currently the Chairman of Vivo Energy Provident Trust Limited.

Mr. Munyao serves as the Chairman of the Audit Committee of the Kenya Re Board.

BOARD MEMBERS PROFILES

MR. ERICK ONYANGO GUMBO, 42 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR



Mr. Gumbo holds a Bachelor's degree in Law from Moi University. He is an Advocate of the High Court, a commissioner for oaths, notary public and a Member of the Chartered Institute of Arbitrators. Mr. Gumbo is currently the Managing Partner at Gumbo and Associates Advocates and a consultant for the National Land Commission, the Independent Electoral & Boundaries Commission and the Kenya Commercial Bank. He is also the Board Chairperson for the Legal Aid Centre for Eldoret. He is a trial lawyer and is also engaged in dispute resolution as well as being a transactional adviser for international commercial transactions.

MRS. THAMUDA OMAR HASSAN, 66 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR



Mrs. Hassan holds a Bachelor of Arts degree in Economics and Sociology from the University of Nairobi. She started her career in the Central Bank of Kenya in 1976 as a Graduate Trainee and was promoted to Senior Superintendent in Charge of Estates in 1981. She moved up the ranks to be the Branch Manager in Mombasa where she took voluntary early retirement in 1999. Mrs. Hassan has attended various courses in management, finance, public procurement, corporate governance and leadership over the years. She also served as a Director at the Retirement Benefits Authority from 2007 to 2015.

MR. JASPER GITONGA MUGAMBI, 47 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR



Mr. Mugambi holds a Bachelor's degree in Disaster Management from Masinde Muliro University. He started his career in 1998 as a Manager at Geofra Security Services and moved to Blue Line Auctioneers and Debt Collectors as an Operations Officer. He was later appointed Branch Secretary/Coordinator of the Meru Branch of Kenya Red Cross Society where he served from 2002 to 2008. He is currently the Coordinator for Upper Eastern region is in charge of eight (8) counties at the KCRS and a Senior First Aid Instructor. Mr. Mugambi has extensive experience in disaster response and has been involved in search and rescue and disaster response through various major incidents across the country such as the Nairobi Bomb blast search and rescue, post-election violence response, evacuation and rescue at Garissa University Alshabaab attack and search and rescue through various clashes across the country. He also founded the KRC branches in Meru, Marsabit, Moyale, Samburu and Tharaka Nithi.

MANAGEMENT TEAM PROFILES

JADIAH MWARANIA - MANAGING DIRECTOR



Mr. Jadiah Mwarania is the Managing Director of the Kenya Reinsurance Corporation Limited. He has worked with the Corporation for over 25 years and has risen through the ranks to the position of Managing Director. He holds a Bachelor of Commerce (B.com.) (Hons.) and Master of Business Administration (MBA) degrees from The University of Nairobi. He is a Fellow of the Chartered Insurance Institute of London (FCII), and the Insurance Institute of Kenya (FIIK). He is currently pursuing a PhD in strategic management at the University of Nairobi. Mr. Mwarania is a Chartered Insurer (CI) of the Insurance Institute of London, the highest and the most prestigious level of professional achievement with the Institute, and a Fellow of the Kenya Institute of Management (FMKIM). He is also a member of the Board of Directors of Industrial Development Bank (IDB), Zep Re (PTA Reinsurance Company) and the Chairman Executive Committee (EXCO) of the Association of Kenya Reinsurers (AKR). He is a Board Member of the Insurance Training and Education Trust (ITET) Board and member of the Finance and Development Board Committee of the College of Insurance of Kenya. Mr. Mwarania is a holder of the Order of Grand Warrior Award (OGW).

MICHAEL MBESHI - GENERAL MANAGER PROPERTY AND ADMINISTRATION



Mr. Mbeshi joined Kenya Reinsurance Corporation Limited on 19th October 1994 as a Premises Officer and was deployed to Property Department. Mr. Mbeshi holds a Bachelor of Arts (Land Economics) from the University of Nairobi. He is a full member of the Institute of Surveyors of Kenya and the Kenya Institute Management. He is a holder of MBA from ESAMI (East and Southern Africa Management Institute). Prior to joining Kenya Re Mr. Mbeshi had worked as an Urban Valuer with the Ministry of Lands. He is a Board Member of IDB Capital Ltd. He also serves as the Chairman of the Investment Committee of IDB. He is a member of the Board of Trustees of KENYA Re Pension Scheme and an associate member of the Institute of Directors. He has over 25 years working experience.

BETH S. NYAGA – GENERAL MANAGER (REINSURANCE)



Beth S. Nyaga is the General Manager, Reinsurance Operations. She joined the Corporation several years ago as a Management trainee. She rose through the ranks to the current position which she has been holding since 2010. She has a wide range of experience in insurance and reinsurance related fields. She also spearheads the arrangement of retrocession protection for the Corporation. During her career she has contributed immensely to capacity development through reinsurance/insurance related technical seminars in Kenya and outside. She holds a Bachelor of Commerce (B.COM) (HONS.) degree from the University of Nairobi and as well as a Master of Business Administration (MBA) degree from the East and Southern Africa Management Institute. She is Fellow and an Associate of the Chartered Insurance Institute of London (FCII & ACII) and the Insurance Institute of Kenya (IIK). She is also a Chartered Insurer.

MANAGEMENT TEAM PROFILES



JACQUELINE NJUI - GENERAL MANAGER (FINANCE & INVESTMENTS)

Mrs. Jacqueline Njui is the General Manager, Finance & Investments. She joined the Corporation on 3rd October 1994 as an Accountant and rose through the ranks to the current position. She is the Pension Fund Secretary of the Kenya Re Pension Scheme. She has a total of twenty nine (29) years of working experience twenty four (24) of those at Kenya Re. Prior to joining the Corporation Mrs. Njui worked for the University of Nairobi. Jacqueline graduated from the University of Nairobi with a Bachelor of Commerce degree (Accounting option) Hons in the year 1988. She is a Certified Public Accountant Kenya CPA (K) and a registered member of the Institute of Certified Public Accountants (ICPAK). She is a Certified Securities Investments Analyst part 2 finalist (CSIA 2) and also holds a Master of Business Administration (MBA) degree from Moi University.



SELEMAN W. TEMBO - REGIONAL MANAGER (SOUTHERN AFRICA)

Seleman W. Tembo joined the Corporation on 4th December 2015 as Regional Manager for the Southern Africa subsidiary located in Lusaka, Zambia. He has 17 years of experience in the Insurance and Reinsurance industry. Before joining Kenya Re, He spent over 14 years in the Insurance sector rising through the ranks from Graduate trainee to Assistant Director Reinsurance for one of the biggest Insurers in Zambia. He holds a Bachelor of Engineering degree from the University of Zambia. He is a Fellow of the chartered Insurance Institute (FCII) and the Insurance Institute of Zambia (FIIZA). He has an Advanced Diploma in Chartered Institute of Management Accounts (CIMA Adv. Dip) as well as a Master of Business Administration (MBA) degree from ESAMI.



NSUBUGA ZIGGWA TADEO - REGIONAL MANAGER (UGANDA)

Mr. Nsubuga Ziggwa Tadeo joined the Corporation on 9th March 2020 as the Regional Manager, Uganda Subsidiary. Previously he worked for Britam Insurance Company Uganda Limited, as Underwriting Manager. His working experience began at UAP Insurance Uganda Limited where he worked for nine years rising through the ranks to become Senior Underwriter. He joined APA Insurance Uganda in 2011 as an Underwriting Manager and in July 2013 joined Britam Insurance Company where he has been for the last six years. Mr.Tadeo holds a Master of Business Administration (MBA) and a Bachelor of Business Administration from Makerere University. He also holds an Advanced Diploma from the Chartered Insurance Institute – London (ACII) and is a Fellow of the Insurance Institute of Uganda (FCII- Uganda).



CHARLES KARIUKI - CORPORATION SECRETARY

Mr. Charles Kariuki joined the Corporation on July 10, 2013 as the Manager-Legal. He held a similar position at the National AIDS Control Council and is an Advocate of the High Court of Kenya of over 15 years standing. He holds a Bachelor of Laws (LL.B) Degree from Moi University, a Diploma in law from the Kenya School of Law and is a registered Certified Public Secretary.

MANAGEMENT



Jadhiah Mwarania -
Managing Director



Michael Mbeshi - General
Manager, Property and
Administration



Beth Nyaga - General Manager,
Reinsurance Operations



Jacqueline Njui - General
Manager, Finance and
Investments



Seleman Tembo - Regional
Manager (Southern Africa)



Mr. Tadeo Nsubuga -
Regional Manager (Uganda)



Charles Kariuki -
Corporation Secretary



Sammy Kaaria -
Manager, Internal Audit



George Njuguna -
Manager ICT



Gladyce Musyoki -
Manager, Supply Chain



Hillary Wachinga
- Manager, Risk &
Compliance



Sally Waigumo - Manager
Human Resources



Sylvia Karimi - Ag.
Manager, Corporate
Affairs



Elizabeth Omondi -
Manager, Local
Business

MANAGEMENT



Alice Mbutu - Manager,
Claims



Peter Angwenyi -
Manager, Subsidiary
Office Coordination



Teresia Kenga -
Manager, Life Business



Martin Mati - Manager,
Research and
Development



Jane Odipo - Manager,
Marketing and Business
Development



Philip Sanda -
Manager, Actuarial



Mr. Longin Nterere -
Ag. Manager,
International
Business



Judy Njuguna - Manager,
Records & Archives



John Rika - Manager,
Property



Consolata Kihara -
Manager, Administration



Johnson Ireri - Chief
Accountant



Nicodemus Gekone -
Manager, Investments



Samson Mudogo -
Manager, Credit Control



Mr. Davis Onsakia -
ISO Management
Representative



Mumut Ole Sialo -
Manager, Zambia Office



Lucy Kagwiria - Ag.
Manager, West Africa
Office

CHAIRMAN'S OVERVIEW

FOREWORD

It is with great pleasure that I present to you the Annual Report and Financial Statements for Kenya Reinsurance Corporation for the year 2019.

BUSINESS ENVIRONMENT

The country experienced a stable business environment with real GDP growing by an estimated 5.9%, largely driven by household consumption and investment on the demand side and services on the supply side. The recent economic expansion was also bolstered by a stable macroeconomic environment, positive investor confidence and resilience services sector.

Prior the COVID-19 Pandemic, Real GDP was projected to grow at 6% in 2020 and 6.2% in 2021. These have been revised downwards to only 3% in 2020. Key drivers will include private consumption, a pick-up in industrial activity and still strong performance in the services sector. Inflation is expected to remain within the government's target range while the current account deficit is projected to remain manageable. Growth will also be driven by ongoing key investment to support implementation of the Big 4 development agenda and improved business sentiment.

We, as an industry need to be adequately prepared to positively face the challenges posed by the COVID-19 Pandemic.

INDUSTRY TRENDS

Some of the key highlights from the industry performance for the insurance sector in 2019 include but are not limited to convenience and efficiency through adoption of alternative channels for both distribution and premium collection such as Bancassurance and improved agency networks; advancement in technology and innovation making it possible to make premium payments through mobile phones, and; a growing middle class, which has led to increased disposable income, thereby increasing demand for insurance products and services

It is also worth noting that although the industry has been slow in adopting digital trends, 2019 saw several insurance companies increasingly take advantage of digital transformation to drive growth and increase insurance penetration in the country

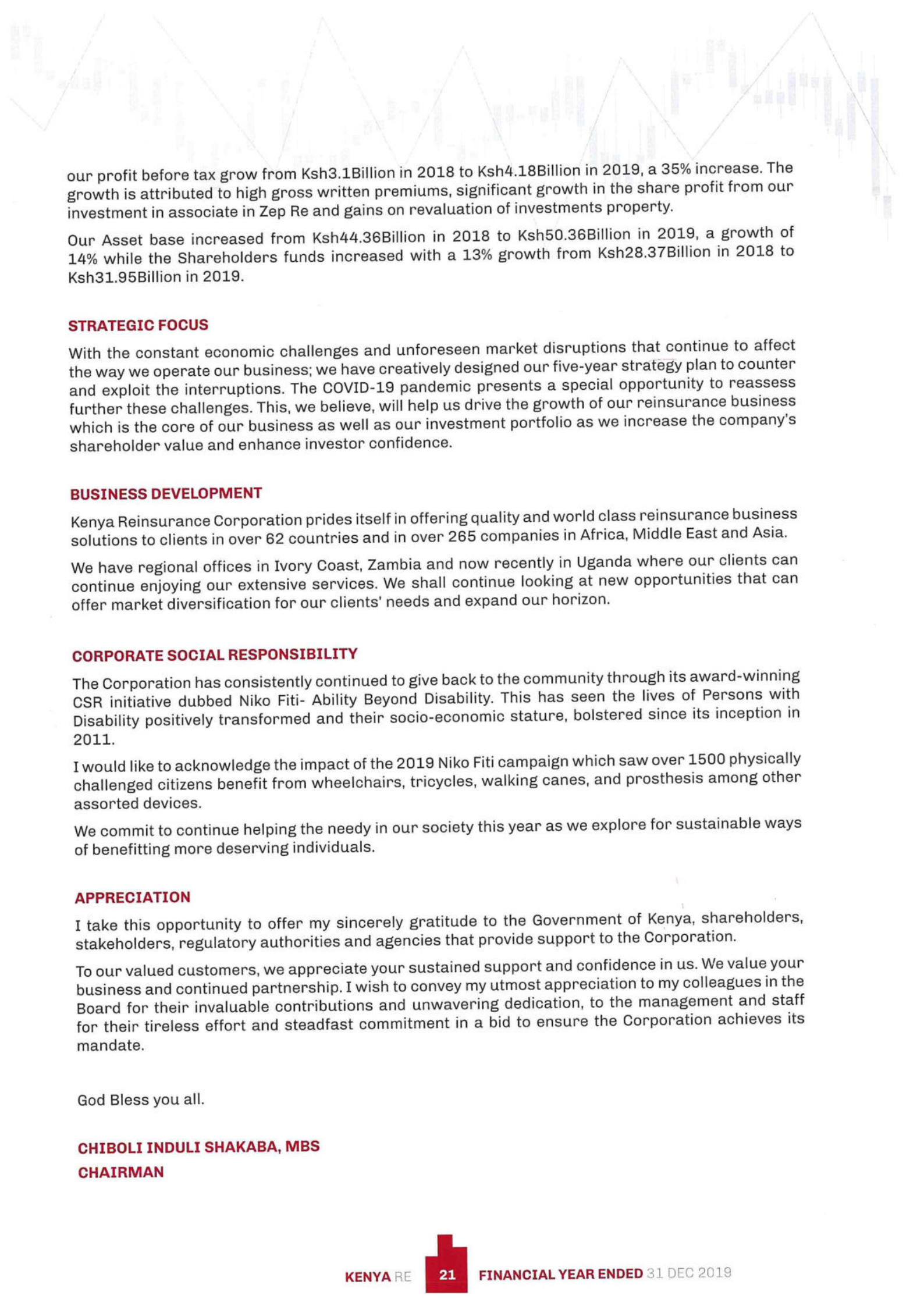
We have also leveraged on technology to make our business more efficient and provide quick solutions to our customers and bring value to our shareholders.

FINANCIAL PERFORMANCE

I am pleased to note that we have delivered impressive results during the period under review. Gross written premiums, Net earned premiums and Investment income registered commendable growth. I am delighted to note that this has seen



Chiboli Shakaba
Board Chairman



our profit before tax grow from Ksh3.1Billion in 2018 to Ksh4.18Billion in 2019, a 35% increase. The growth is attributed to high gross written premiums, significant growth in the share profit from our investment in associate in Zep Re and gains on revaluation of investments property.

Our Asset base increased from Ksh44.36Billion in 2018 to Ksh50.36Billion in 2019, a growth of 14% while the Shareholders funds increased with a 13% growth from Ksh28.37Billion in 2018 to Ksh31.95Billion in 2019.

STRATEGIC FOCUS

With the constant economic challenges and unforeseen market disruptions that continue to affect the way we operate our business; we have creatively designed our five-year strategy plan to counter and exploit the interruptions. The COVID-19 pandemic presents a special opportunity to reassess further these challenges. This, we believe, will help us drive the growth of our reinsurance business which is the core of our business as well as our investment portfolio as we increase the company's shareholder value and enhance investor confidence.

BUSINESS DEVELOPMENT

Kenya Reinsurance Corporation prides itself in offering quality and world class reinsurance business solutions to clients in over 62 countries and in over 265 companies in Africa, Middle East and Asia.

We have regional offices in Ivory Coast, Zambia and now recently in Uganda where our clients can continue enjoying our extensive services. We shall continue looking at new opportunities that can offer market diversification for our clients' needs and expand our horizon.

CORPORATE SOCIAL RESPONSIBILITY

The Corporation has consistently continued to give back to the community through its award-winning CSR initiative dubbed Niko Fiti- Ability Beyond Disability. This has seen the lives of Persons with Disability positively transformed and their socio-economic stature, bolstered since its inception in 2011.

I would like to acknowledge the impact of the 2019 Niko Fiti campaign which saw over 1500 physically challenged citizens benefit from wheelchairs, tricycles, walking canes, and prosthesis among other assorted devices.

We commit to continue helping the needy in our society this year as we explore for sustainable ways of benefitting more deserving individuals.

APPRECIATION

I take this opportunity to offer my sincerely gratitude to the Government of Kenya, shareholders, stakeholders, regulatory authorities and agencies that provide support to the Corporation.

To our valued customers, we appreciate your sustained support and confidence in us. We value your business and continued partnership. I wish to convey my utmost appreciation to my colleagues in the Board for their invaluable contributions and unwavering dedication, to the management and staff for their tireless effort and steadfast commitment in a bid to ensure the Corporation achieves its mandate.

God Bless you all.

CHIBOLI INDULI SHAKABA, MBS
CHAIRMAN

TAARIFA YA MWENYEKITI

DIBAJI

Ni furaha yangu kuwasilisha kwenu Ripoti ya Kila Mwaka na Taarifa ya Kifedha ya Shirika la Kenya Reinsurance ya mwaka 2019.

MAZINGIRA YA BIASHARA

Nchi ilipitia hali thabiti ya mazingira ya biashara huku GDP halisi ikikua kwa takriban 5.9%, hali hii ikichangiwa pakubwa na matumizi nyumbani na uwekezaji katika fursa za hitaji na huduma katika fursa za usambazaji bidhaa. Upanuzi wa hivi majuzi wa uchumi pia ulichochea na mazingira thabiti ya uchumi katika ngazi ya juu, ujasiri katika uwekezaji chanya na sekta ya huduma zenye ustahimilivu.

Kabla ya Janga Tandavu la COVID-19, GDP Halisi ilitarajiwa kukua kwa 6% mwaka wa 2020 na 6.2% mwaka wa 2021. Matarajio haya yameshushwa hadi 3% pekee mwaka 2020. Vigezo vikuu vitajumuisha matumizi ya kibinafsi, ukuaji katika shughuli za kiviwanda na utendaji thabiti katika sekta ya huduma. Mfumuko wa bei unatarajiwa kubakia ndani ya kiwango kinachotazamiwa na serikali huku upungufu katika akaunti ya sasa ukitarajiwa kudhibitiwa. Ukuaji pia utaendeshwa na uwekezaji muhimu unaoendelea kusaidia utekelezaji wa ajenda 4 Kuu za maendeleo na kuimarika kwa shughuli za kibiashara.

Kama sekta, tunahitaji kujitayarisha ipasavyo ili kukabiliana kwa njia chanya na changamoto zinazosababishwa na Janga la COVID-19.

MAMBO YANAYOVUMA KATIKA SEKTA

Baadhi ya maswala makuu kutoka utendaji wa sekta kwa ajili ya sekta ya bima mwaka wa 2019 ni pamoja na lakini sio tu urahisi na ufanisi kupitia matumizi ya njia mbadala za usambazaji na ukusanyaji wa malipo kama vile Bancassurance na mitandao bora ya shirika; maendeleo katika teknolojia na uvumbuzi inayoweza malipo kufanywa kupitia simu za mkononi na ukuaji katika idadi ya watu wenye mapato ya wastani, hali ambayo imesababisha kuongezeka kwa mapato yanapatikana baada ya ushuru hivyo kuongezeka kwa hitaji la bidhaa na huduma za bima.

Pia ni muhimu kukumbuka kwamba ingawa sekta imekuwa ikijikokota katika kuanza kuendesha mambo kidijitali, mwaka wa 2019, kampuni nyingi za bima zinavuna kutokana na maguzi ya kidijitali kuleta ukuaji na kuongeza idadi ya watu wanaofikiwa na huduma za bima nchini.

Pia tumetumia teknolojia mbalimbali ili kufanya biashara yetu kuwa ufanisi zaidi na kutoa suluhu za haraka kwa wateja wetu na kuwapa washika dau wetu thamani.

UTENDAJI WA KIFEDHA

Ninafurahi kubainisha kwamba tumekuwa na matokeo ya kujivunia katika kipindi kinachofanyiwa ukaguzi. Malipo ya jumla yaliyoandikishwa, malipo yaliyopatikana baada ya ushuru na mapato kutokana na Uwekezaji yalisajili ukuaji kwa kiwango kikubwa. Ninafurahi kubainisha kwamba huu umekuwa ukuaji wa faida yetu kabla ya ushuru kutoka Ksh Bilioni.3.1 hadi Ksh Bilioni.4.18 mwaka wa 2019, hii ikiwa ni ongezeko la 35%. Hii imesababishwa na kiwango cha juu cha malipo ya jumla ya sera za bima, ukuaji mkubwa katika mgao wa faida kutokana na uhusiano wetu na Zep Re na mapato kutokana na kutathminiwa tena kwa mali ya uwekezaji.

Kiasi cha Mali yetu kiliongezeka kutoka Ksh Bilioni 44.36 mwaka wa 2018 hadi Bilioni 50.36 mwaka wa 2019, ukuaji wa 14% huku fedha za Wenye Hisa zikiongezeka kwa ukuaji wa 13% kutoka Ksh. Bilioni 28.37 mwaka wa 2018 hadi Ksh. Bilioni 31.95 mwaka wa 2019.



Chiboli Shakaba
Mwenyekiti

MTAZAMO WA KIMKAKATI

Kutokana na mabadiliko ya kiuchumi ya mara kwa mara na matatizo yasiyotabirika ya soko yanayoendelea kuathiri jinsi tunavyoendesha biashara yetu; tumesanifu mpango wetu wa kimkakati wa miaka tano kwa ubunifu ili kukabiliana na kuvuna kutokana na matatizo. Janga la COVID-19 linawasilisha fursa maalum ya kutathmini changamoto hizi zaidi. Hii, tunaamini kwamba itatusadia kuendesha ukuaji wa biashara yetu ya kutoa bima kwa mashirika mengine ambayo ndiyo kiini cha biashara yetu pamoja na mkusanyiko wa uwekezaji huku tukioongeza thamani ya wenye hisa wa kampuni yetu na kuimarisha imani ya wawekezaji.

MAENDELEO YA BIASHARA

Shirika la Kenya Reinsurance linajivunia kutoa suluhu za ubora wa juu na za viwango vya kimataifa vya biashara ya kutoa bima kwa kampuni nyingine za bima kwa wateja katika zaidi ya nchi 62 na zaidi ya kampuni 265 barani Afrika, Mashariki ya Kati na Asia.

Tuna ofisi za kikanda nchini Kodivaa, Zambia na hivi majuzi nchini Uganda ambapo wateja wetu wanaweza kuendelea kufurahia huduma zetu pana. Tutaendelea kutafuta fursa mpya zinazoweza kutoa hali anuwai ya soko kwa mahitaji ya wateja wetu na kupanua mawanda yetu.

UWAJIBIKAJI WA SHIRIKA KWA JAMII

Shirika hili limeendelea kutoa msaada kwa jamii kupitia mpango wa uwajibikaji wa shirika kwa jamii (CSR) ulioshinda tuzo uitwao Niko Fiti- Ability Beyond Disability. Mpango huu umefanya maisha ya Watu wanaoishi na Ulemavu kubadilika kwa njia chanya na hali zao za kijamii na kiuchumi kustawishwa tangu kuzinduliwa kwake 2011.

Ningependa kutambua athari ya kampeni ya Niko Fiti ya 2019 ambayo ilifanya zaidi ya wananchi 1500 wanaoishi na ulemavu wa kimwili kunufaika kutokana na viti vya magurudumu, baiskeli za miguu mitatu, fito za kutembelea na viungo bandia vya mwili na vifaa vingine teule.

Tunajitolea kuendelea kusaidia watu wenye mahitaji katika jamii yetu mwaka huu huku tukichunguza njia endelevu za kunufaisha watu zaidi wanaostahiki kupata msaada.

SHUKRANI

Ninachukua fursa hii kutoa shukrani zangu za dhati kwa Serikali ya Kenya, wenye hisa, washikadau, mamlaka ya kiudhibiti na mashirika ambayo yanasaidia Shirika.

Kwa wateja wetu tunaowathamini, tunashukuru msaada wetu endelevu na ujasiri kwenu. Tunathamini biashara yako na kuendelea kwako kushirikiana nasi. Ningependa kuwasilisha shukrani zangu za dhati kwa wafanyikazi wenzangu katika Bodi kwa michango yao ya kuthaminiwa na kujitolea bila kutetereka, kwa usimamizi na wafanyikazi wetu kwa jitihada na kujitolea kwa nia ya kuhakikisha kwamba Shirika linafikia malengo yake.

Mungu awabariki nyote.

CHIBOLI INDULI SHAKABA, MBS

MWENYEKITI

MANAGING DIRECTOR'S STATEMENT

PERFORMANCE

It gives me great pleasure to present the Annual Report and Group Financial Statements for the year ended 31st December 2019 for Kenya Reinsurance Corporation Ltd.

The Corporation has put in place forward-looking strategies to drive its growth with the objective of enhancing its shareholders' value and placing itself in the category of the best performing reinsurers in Africa and beyond, true to its strapline "*wisdom beyond borders*".

During the year 2019, the Corporation encountered a number of challenges in both its reinsurance and investments operations. On the reinsurance business side there was increased customer sophistication and demands, increased competition, premium undercutting, the impact of domestication of reinsurance business in some of our key markets, the reduction of reinsurance business occasioned by the setting up of national reinsurers entitled to compulsory treaty and policy cessions in some of our markets, the higher retentions of business by the ceding companies especially where mergers and acquisitions took place, the changing reinsurance treaty structures generally towards excess of loss as opposed to proportional treaties and devaluation of currency in some of our markets.

On the investment business environment, the impact of the capping of interest rates led to conservative performance of the fixed income instruments and the flight to safety by the foreign investors as the FED rate kept rising. The sustained bear run at the Nairobi Securities Exchange (NSE) saw many counters revaluing downwards and negatively impacting the equities fair value adjustments and capital gains. There were bearish market trends for quoted equities at the NSE. The real estate market experienced lower than expected upward revaluation and there was also oversupply of office rental spaces.

The challenges notwithstanding, the Corporation managed to beat the odds to achieve both growth and profitability thus generating value for shareholders. Going forward, despite the enormous challenges posed by COVID-19, the Corporation plans to continue generating value for its shareholders by employing robust strategies anchored on its five strategic pillars namely financial performance, business development, business process improvement, enhanced risk management as well as people and culture.

FINANCIAL PERFORMANCE

I am glad to announce that the Corporation posted a 35% rise in profit before tax from Kshs. 3.10 billion in 2018 to Kshs. 4.18 billion in 2019. The key drivers of the profitability were the growth in both gross written premiums and investment income.

Gross written premiums grew by 18% from Kshs. 14.84 billion in 2018 to Kshs. 17.52 billion in 2019. The Net earned premiums rose by 9% from Kshs. 14.21 billion in 2018 to Kshs. 15.53 billion in 2019. The key drivers included market identification and focus, diversification of business portfolio, effective response to changing customer needs and prudent underwriting, among others.

Investment income grew by 10% from Kshs. 3.39 billion in 2018 to Kshs. 3.71 billion in 2019. This was underpinned by an effective investment strategy. This performance was driven by timely market intelligence on quoted equity instruments for prompt realization of capital gains, real time diversification to government securities with competitive coupons, strategic exposure to companies with high dividend payout and high rental occupancy rates in our commercial buildings powered by our care for customer service to tenants.



Jadhah Mwarania
Managing Director



FINANCIAL POSITION

The total assets grew by 14% from Kshs. 44.36 billion in 2018 to Kshs 50.36 billion in 2019. The shareholders' funds went up from Kshs. 28.37 billion in 2018 to Kshs 31.95 billion in December 2019, an increase of 13%.

The investment asset portfolio grew to Kshs 43.55 billion in 2019 from Kshs 37.15 billion in 2018, which was a 17% growth. Both A.M Best and GCR rated the Corporation's Risk-adjusted capitalization at the **strongest** category. The financial strength rating by both rating agencies had a stable outlook. GCR upgraded the Corporation's rating from AA to AA+.

MARKET AND PRODUCT DEVELOPMENT

The Corporation managed to grow both its treaty reinsurance and facultative business portfolios across its chosen markets in Africa, Middle East and Asia. We pursued new reinsurance business and worked hard to retain the existing business. We grew the business portfolios by generating the business directly from the ceding companies as well as leveraging on partnerships with intermediaries.

We conducted technical reinsurance and insurance trainings for several insurance markets across Africa on a variety of subjects such as property, marine, medical, oil and gas, political risks, casualty, professional indemnity as well as individual and group life reinsurance.

We concluded the process of the setting up of Kenya Reinsurance Corporation Uganda SMC which is now fully operational, complete with its board of directors, country director and staff. We clearly defined the markets that will be serviced by each of the Kenya Re subsidiaries in Côte d'Ivoire, Zambia and Uganda.

We continued enhancement of embedding the enterprise risk management framework in decision making, employed analytical models for determination of catastrophic exposures and claims triangulations in addition to actuarial processes among them reserving and a variety of research fields.

We focused on all areas of strategic and operational improvement in line with the 2017 – 2021 Strategic Plan as supported by the 2019 Business Plan. Among the initiatives were aggressive marketing, reduced claims payment turnaround time, lobbying with the regulator and industry players on enforcement of market wide issues such as cash and carry in respect of premium payment in Kenya, and partnerships in innovation and product development with market players like the Association of Kenya Insurers (AKI) whose membership we joined through the Association of Kenya Reinsurers (AKR).

FINANCIAL AND CREDIT RATING

The Global Credit Rating agency (GCR) reviewed the credit rating of the Corporation under the new criteria released in May 2019. Kenya Re's Financial Strength Ratings was revised to AA+ in 2019 as compared to ratings of AA in 2018. The outlook was assessed as stable. In addition, GCR revised the Corporation's international strength credit rating to B+ in 2019 from a rating of BB in 2018. The outlook was assessed as stable as well.

The rating agency rated the Corporation's risk-adjusted capitalization as very strong. GCR underscored the Corporation's healthy liquidity and a balanced asset allocation with liquid assets representing 53% of the total investment portfolio. It further assessed the Corporation's liquidity coverage of net technical liabilities and operational cash coverage as having remained stable over the last three years.

A.M Best retained the Corporation's rating of B for year 2019. The agency has since held a management meeting with Kenya Re in year 2020 to review the rating. The outcome of the assessment by the agency is still awaited.

ISO CERTIFICATION

The Corporation successfully retained its ISO certification under the ISO standard 9001:2015 on which all internal and external audits were done. This is attestation that the Corporation's quality management systems are aligned to the best global quality management systems and practices.

Secondly, the Corporation achieved ISO 27001:2013 certification in 2019 as the 6th organization in Kenya to achieve that ISO certification. This is a certification in respect of information security and management systems (ISMS).

INVESTMENT IN TECHNOLOGY

Technology remains a vital catalyst to efficient business processes of the Corporation. Business process is a key pillar in the strategic vision of the Corporation. The use of technology is central to most operations of the Corporation. The Corporation has put in place a robust Virtual Private Network (VPN) connectivity that allows staff to connect from anywhere and access all systems and IT resources away from the office.

MANAGING DIRECTOR'S STATEMENT

A reinsurance management computer system (SICS) services life and non-life reinsurance business needs. An actuarial software named "Prophet" processes actuarial work in life & non-life that includes reserving, pricing, and capital modeling in line with international best practice. A Governance Risk & Compliance (GRC) software is used to automate risk management operations and enhance embedding of a suitable risk culture across the Corporation. In addition, quantitative, qualitative and data visualization tools are used for internal analytical capability and feedback at the point of service analysis.

Thanks to the use of technology, the Corporation was able to quickly activate its Business Continuity Plan to adjust to the disruptions of the corona virus pandemic. Among other things, staff were able to work away from the office seamlessly. We migrated the Corporation's emails system to Microsoft Office365 cloud solution where staff can access them from laptops, tablets, and mobile phones. We launched VPN including virtual telephone extensions through laptops. Virtual meetings became the order of the day in moving the business of the Corporation forward and uninterrupted after the onset of the COVID-19 pandemic.

Kenya Re commits to continually explore and strategically tap into new technology that will further enhance seamless business operations and processes.

HUMAN CAPITAL

The Corporation continues to make impactful investment in its employees to build on their areas of expertise through individual and group training and proper skills alignment to job roles to enhance productivity. Employee awareness and sensitization on a wide scope of subjects was undertaken in 2019.

The Corporation undertook efforts to maintain, attract and retain employees through culture-improvement mechanisms, team building initiatives as well as competitive compensation and benefits packages. In a bid to promote employees' creativity, the Corporation used the Innovations Committee reviews to reward creative and innovative ideas developed by the employees. This in turn boosted employee enthusiasm and morale.

The Corporation has a pool of competent and technically qualified employees with the right attitude, knowledge and skills which facilitates the achievement of its business objectives. People and culture, being one of the five strategic pillars in the Corporate Strategic Plan, remained as the nerve center of the Corporation's operations.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In 2019, the Corporation remained committed to its corporate social responsibility (CSR) initiative of assisting persons with disability through its initiative known as, "**NIKO FITI NA KENYA RE - ability beyond disability campaign**". The CSR has so far benefitted more than 6,800 persons living with disability since its inception in 2011. Every year, a percentage of the Corporation's annual net profits of the previous year is used on CSR activities.

The *Niko Fiti* Legacy Project, in partnership with Kenya Institute of Special Education (KISE), was sustained in 2019. We adopted a block in KISE's state of the art Psycho Education and National Assessment Centre in Nairobi in the year 2018. This block hosts a hydro-therapy pool, a rehabilitation gymnasium and treatment rooms complete with observation and learning rooms. We dubbed this project as the "legacy" project considering the unrivalled impact it will have in the lives of persons living with disability in Kenya and beyond for many years to come.

Environmental conservation is another CSR activity that Kenya Re undertook in 2019. To date, the Corporation has planted more than 6000 trees at Kibiko Secondary School in Ngong, Kajiado County. In 2019, the Corporation embarked on a new tree planting initiative at Moi Girls Isinya where 5,000 trees were planted while another 1,000 trees were planted in conjunction with the Kenya Forest Service during the popular event dubbed , the "**Forest Challenge**". The total tree count for the Corporation is 12,000 trees.

In 2019, the Corporation successfully completed *Niko Fiti na Kenya Re CSR Education Integration projects* at Moi Girls School in Isinya and Lenana School in Nairobi. These projects enabled accessibility and integration of students with disability in the two national schools by refurbishment of school facilities such as the ablution blocks and access ramps for mobility devices used by persons living with disability. These projects were handed over to the Lenana School and Moi Girls School – Isinya on 10th and 11th December 2019, respectively.

GENDER AND EQUALITY

The Corporation was ranked the sixth best in Kenya in a special Gender Equality in the Workplace Report that evaluated 60 listed companies. We emerged the second best in the category of majority-government owned company in Kenya after Kenya Airways. The evaluation was conducted by Equileap through the Nairobi Securities Exchange (NSE) and New Faces New Voices to assess listed companies in Kenya on gender equality at the workplace. The evaluation used the Equileap scorecard,

a comprehensive methodology for evaluating gender equality at the workplace. The scorecard had 19 criteria, including gender balance across the workforce, the gender pay gap, paid paternal leave and anti-sexual harassment policies, among others. This methodology has been used to evaluate over 3,000 companies globally each year.

THE FUTURE

Going forward, the Corporation will diligently continue to implement its 2017-2021 Strategic Plan, as continually reviewed through the annual Business Plans, with a view to achieving the set strategic objectives. The focus will remain to achieve the various targets under the key strategic pillars of the strategic plan. The strategic objectives that we will pursue are sustainable and robust financial growth, maintaining systems and processes that address business needs and stakeholders interests, growing and diversifying quality portfolios for business sustainability, maintaining robust risk management initiatives and developing human resources and culture to match the Corporation's performance requirements.

It is evident that in the near and medium term, the Corporation will operate in a very challenging business environment particularly with the advent of the corona virus pandemic which in the year 2020 alone has seen unprecedented ravages on business most of which have reported acute drop in revenue earning capability and attendant profit warnings, drastically reduced profits, outright losses and a complete shutdown of many more.

In line with the downgrading of national credit ratings and outlook of many countries in the Corporation's markets in Africa including Kenya, the credit rating agencies have similarly revised the outlook of the Corporation's financial and credit ratings. The GDP growth rates and national economic outlook in most markets of the Corporation are poor in year 2020 and beyond.

In Kenya, International Monetary Fund (IMF) is projecting a growth of 1.0% while the National Treasury projected 2.5% growth. Volatility in the foreign exchange market is expected. Employment numbers are projected to fall accompanied by subdued diaspora remittances evidenced by the 9.0% decline to USD 208.2 million in April 2020. Equities market was on a downward trend, with NASI, NSE 20 and NSE 25 declining by 17.3%, 26.8% and 21.5%, respectively. The commercial office sector recorded a - 0.2% on rental yields and 0.3% occupancy. Property asking rents, on the other hand, decreased by 0.8%. Property asking prices also decreased by 1.0%. A minimum tax rate of 1.0% of the gross turnover was introduced in 2020. This new tax will apply to all persons whether they are making profits or incurring losses.

All economies around the globe are reeling from the brunt of the coronavirus pandemic with projected GDPs expected to plunge to historical lows. Kenya has not been spared and the adverse effects are projected to have far-reaching effects on corporate financial performances.

In sub-Saharan Africa, the World Bank projects growth contraction of 5.1% in 2020 from a growth of 3.0% projected at the beginning of this year. IMF projects GDP growth rate contraction of 3.2%. South Asia region will experience its worst economic performance in the last 40 years – India, Pakistan, Afghanistan, Bangladesh, and Nepal. In the Middle East, growth is now projected at – 4.7% in 2020.

Notwithstanding the current and projected challenging business environment, the Corporation will seek to improve its presence in both the local and international markets. Among other strategies, we will seek to improve productivity of a motivated human resource compliment, process improvement and use of appropriate technology for efficiency and service delivery and a review of our investment strategy to maximize return on shareholders' funds. We will focus on risk management improvement and embrace corporate governance, ethical approaches and above-board practices.

CONCLUSION

I salute our customers in full recognition that it is their business support that is the lifeline of the Corporation. My sincere appreciation goes to all the Corporations' stakeholders for their continued support and the trust that they have in the Corporation. I thank our shareholders for their stake and confidence in investing in the Corporation, especially the Government of Kenya, which remains the single largest shareholder. I thank the board, management and staff of the Corporation for their immense contribution to the achievement of Kenya Re's corporate objectives. Above all, the biggest thank you is to the Almighty God for His countless blessings.

Jadiah M. Mwarania,
MBA, FCII, FIIK, Chartered Insurer, FMKIM, OGW
MANAGING DIRECTOR

TAARIFA YA MKURUGENZI MKUU KUHUSU RIPOTI YA KILA MWAKA YA MWAKA MZIMA WA 2019

UTENDAKAZI

Ninafuraha kubwa kuwasilisha kwenu Ripoti ya kila Mwaka na Taarifa ya Kifedha ya Kampuni ya mwaka unaokamilikia tarehe 31 Disemba 2019 ya Shirika la Kenya Reinsurance Ltd.

Shirika hili limeweka mikakati ya kiuhakika ya kuendesha ukuaji wake kwa lengo la kuboresha thamani ya wenye hisa wake na kujiweka katika kategoria ya kampuni zinazotoa huduma ya bima kwa kampuni nyingine za bima barani Afrika na ng'ambo, ilivyobainishwa katika kauli mbiu yake "wisdom beyond borders".

Mnamo mwaka wa 2019, Shirika lilikumbana na changamoto kadhaa katika utendakazi wa kutoa bima kwa kampuni nyingine za bima pamoja na uwekezaji. Upane wa biashara ya utoaji bima kwa kampuni nyingine za bima, kulikuwa na ongezeko la hali changamano za wateja na mahitaji, ongezeko la ushindani, mipango isiyo halali ya malipo ya chini, athari ya uzinduzi wa biashara ya kutoa bima kwa kampuni nyingine za bima katika baadhi ya masoko yetu makuu, kupungua kwa biashara ya utoaji bima kwa kampuni nyingine za bima kulikosababishwa na kuanzishwa kwa watoaji bima kwa kampuni nyingine kitaifa ambao wanastahiki mikataba ya lazima na ukomeshaji wa sera katika baadhi ya masoko yetu, ubakizaji wa hali ya juu wa biashara hasa ambapo kampuni zikiungana au kununuliwa, mabadiliko katika mifumo ya mikataba ya utoaji bima kwa kampuni nyingine za bima kuelekea hasara kinyume na mikataba ya migao na kushuka kwa thamani ya sarafu katika baadhi ya masoko yetu.

Kuhusiana na mazingira ya uwekezaji wa kibiashara, athari ya kuwekea kikomo viwango vya riba ilisababisha utendakazi wa kikaida wa vyombo vya mapato yasiyobadilika na hali ya wawekezaji wa kimataifa kuendelea maeneo salama wakati kiwango cha FED kiliendelea kuongezeka. Hali iliyoendelea ya ukuaji katika kiwango cha msingi katika Soko La Hisa la Nairobi (NSE) ilisababisha biashara nyingi kutoa thamani za chini na hivyo kuathiri vibaya marekebisho ya thamani wastani ya hisa na mapato ya mtaji. Kulikuwa na vurugu la soko kwa hisa zilizotajwa katika NSE. Soko la makazi halisi lilipitia hali ya kupungua kwa thamani iliyotarajiwa kupanda na kulikuwa na nafasi nyingi katika ofisi za kukodisha kupita kiasi.

Licha ya changamoto hizi, Shirika lilifaulu kukabiliana na hayo kufikia ukuaji pamoja na faida hivyo kuleta thamani kwa wenye hisa. Kuendelea mbele, licha ya changamoto kubwa zinazoletwa na COVID-19, Shirika linapanga kuendelea kuzalisha thamani kwa wenye hisa wake kwa kutekeleza mikakati pana iliyogemezwa kwenye mihimili yake mitano yaani, utendaji wa kifedha, maendeleo ya biashara, uimarishaji wa mchakato wa biashara, udhibiti ulioboreshwa wa hatari pamoja na watu na utamaduni.

UTENDAKAZI WA KIFEDHA

Ninafuraha kutangaza kwamba Shirika lilipata ongezeko la 35% katika faida kabla ya ushuru kutoka Bilioni Ksh. 3.10 mwaka wa 2018 hadi Bilioni 4.18 mwaka wa 2019. Vigezo vikuu vya kuleta faida vilikuwa ni ukuaji katika jumla ya malipo ya sera za bima na mapato kutokana na uwekezaji.

Jumla ya malipo ya sera za bima ilikua kwa 18% kutoka Bilioni Ksh. 14.84 mwaka wa 2018 hadi Bilioni Kshs. 17.52 mwaka wa 2019. Malipo yaliyopatikana baada ya ushuru yaliyongezeka kwa 9% kutoka bilioni Kshs. 14.21 mwaka wa 2018 hadi Bilioni Kshs. 15.53 mwaka wa 2019. Vigezo vikuu vilijumuisha utambuaaji wa soko na uangazaji, upanuzi wa mwanda ya biashara, mwitikio wa ufanisi kwa mahitaji yanayobadilika ya wateja na uadilifu katika malipo ya bima, na mengineyo.



Jadhah Mwarania
Mkurugenzi Mkuu

Mapato ya uwekezaji yalikua kwa 10% kutoka Bilioni Ksh. 3.39 mwaka wa 2018 hadi Bilioni Kshs. 3.71 mwaka wa 2019. Hii iliwezesha na mikakati faafu wa uwekezaji. Utendaji huu ulisababishwa na umahiri wa soko kwa muda ufaao kwenye vyombo vya hisa tajwa kwa upatikanaji wa haraka wa mapato ya mtaji, upanuzi wa bondi za serikali kwa muda halisi kukiwa na kuponi za ushindani, mikakati ya kukuwa katika mazingira ya kampuni zenye malipo ya juu ya mgao na viwango vya juu vya kuchukuliwa kwa nyumba za kukodisha katika majengo yetu ya kibiashara zinazoletwa na huduma yetu kwa wateja kwa wapangaji nyumba.

NAFASI YA KIFEDHA

Jumla ya mali ilikua kwa 14% kutoka bilioni Kshs. 44.36 mwaka wa 2018 hadi bilioni kshs. 50.36 mwaka wa 2019. Fedha za wenye hisa zilikuwa kutoka bilioni Kshs. 28.37 mwaka wa 2018 hadi bilioni Kshs 31.95 mwezi Disemba 2019, hii ikiwa ni ongezeko la 13%.

Mali ya uwekezaji ilikua hadi bilioni Kshs. 43.55 mwaka wa 2019 kutoka bilioni Kshs. 37.15 mwaka wa 2018, ambao ni ukuaji wa 17%. Mashirika ya A.M Best na GCR yote yalikadiria mtaji uliorekebisha kuingana na Hatari wa Shirika katika kategoria ya thabiti zaidi. Makadirio ya uwezo wa kifedha kutoka mashirika yote mawili yalikuwa na taswira thabiti. GCR iliboresha ukadiriaji wa Shirika kutoka AA hadi AA+.

MAENDELEO YA SOKO NA BIDHAA

Shirika lilifanikiwa kukuza mkataba wake wa utoaji bima kwa kampuni nyingine za bima na fedha za faida kwa biashara kihali katika masoko yake teule barani Afrika, Mashariki ya Kati na Asia. Tulitafuta nafasi mpya za biashara ya utoaji bima kwa kampuni nyingine za bima na tukafanya kazi kwa bidii kubakisha biashara zilizopo. Tulikuza fedha zinazoorodheshwa kwa faida ya biashara kwa kuzalisha biashara moja kwa moja kutoka kwa zile zinazotwaliwa pamoja na kutumia fursa ya ushirikiano na wafanyabiashara wa kati.

Tuliendesha huduma za bima za kiufundi kwa kampuni nyingine za bima na mafunzo ya bima kwa masoko kadhaa ya bima kote barani Afrika kuhusu mada mbalimbali kama vile bima ya mali, bahari, matibabu, mafuta na gesi, hatari za kisiasa, hasara, uwajibikaji wa kitaalamu pamoja na bima ya maisha kwa mtu binafsi au kikundi.

Tulikamilisha mchakato wa kufungua Shirika la Kenya Reinsurance tawi la Uganda SMC ambalo sasa linaendesha kazi zake kikamilifu, likiwa na wakurugenzi watendaji wa bodi, mkurugenzi mtendaji wa nchi na wafanyikazi. Tumebainisha wazi masoko ambayo yatapokea huduma za kampuni tanzu za Kenya Re nchini Kodivaa, Zambia na Uganda.

Tuliendelea kuboresha ujumuishaji wa kiunzi cha udhibiti wa hatari za biashara katika kufanya maamuzi, kutumia miundo ya kiuchanganuzi katika kubainisha hatari zilizopo na utatuzi wa madai pamoja na michakato ya ukadiriaji wa bima miongoni mwao kuhifadhi na nyanja mbalimbali za utafiti.

Tuliangazia nyanja zote za uboreshaji wa kimkakati na utendakazi kulingana na Mpango wa Kimkakati wa 2017 - 2021 kama inavyosaidiwa na Mpango wa Biashara wa 2019. Miongoni mwa mipango hii ilikuwa mikakati bora ya mauzo, kupungua kwa muda wa malipo ya madai, kuhamasisha mdhibiti na washikadau wa sekta kuhusu utekelezaji wa masuala ya soko pana kama vile kulipia na kupewa huduma nchini Kenya na ushirikiano katika ubunifu na ukuzaji wa bidhaa na washikadau wa soko kama vile Shirika la Watoaji Bima Kenya (AKI) ambao tulijiunga nao kupitia Association of Kenya Reinsurers (AKR).

UKADIRIAJI WA KIFEDHA NA MIKOPO

Shirika la Kimataifa la Ukadiriaji wa Mikopo (GCR) lilikua ukadiriaji wa mkopo wa Shirika chini ya utaratibu mpya uliotolewa Mei 2019. Ukadiriaji wa Uwezo wa Kifedha Kenya Re ulidurusiwa ukawa AA+ mwaka wa 2019 ikilinganishwa na ukadiriaji wa AA mwaka wa 2018. Taswira ilitathminiwa kuwa thabiti. Vilevile, GCR ilidurusu ukadiriaji wa uwezo wa kimataifa wa mkopo wa Shirika kuwa B+ mwaka wa 2019 kutoka kwa ukadiriaji wa BB mwaka wa 2018. Taswira ilitathminiwa kuwa thabiti vilevile.

Shirika la ukadiriaji lilikadiria mtaji wa Shirika uliorekebisha kulingana na hatari kuwa thabiti sana. GCR ilitambua uwepo wa mali na fedha za kutosha na usawa baina ya ugavi wa mali na mali ya fedha unaowakilisha 53% ya jumla ya faida ya biashara kutokana na uwekezaji. Pia lilitathmini kiasi cha mali na fedha cha Shirika cha jumla ndogo ya dhima za kiufundi na pesa zinatumiwa kuwa zilisalia thabiti katika kipindi cha miaka mitatu iliyopita.

A.M Best ilisema kuwa ukadiriaji wa Shirika ulisalia B kwa mwaka wa 2019. Shirika limefanya mkutano wa usimamizi na Kenya Re mwaka wa 2020 ili kudurusu ukadiriaji. Matokeo ya tathmini hii ya shirika bado yanasubiriwa.

CHETI CHA ISO

Shirika lilifaulu kubakisha cheti chake cha ISO chini ya kiwango cha ISO cha 9001:2015 na ukaguzi wote wa ndani na nje ulifanywa kwa msingi wake. Huu ni ushahidi kwamba mifumo ya udhibiti wa ubora ya Shirika inaona na mifumo na matendo bora ya kimataifa ya udhibiti wa ubora.

Pili, Shirika lilifikia tuzo la cheti cha ISO: 27001:2013 mwaka wa 2019 kama shirika la 6 nchini Kenya kufikia tuzo la cheti cha ISO. Hiki ni cheti kinachohusiana na usalama wa habari na mifumo ya udhibiti (ISMS).

UWEKEZAJI KATIKA TEKNOLOJIA

Teknolojia inasalia kuwa kichocheo muhimu cha michakato ya biashara ya ufanisi ya Shirika. Michakato ya biashara ni nguzo muhimu katika maono ya kimkakati ya Shirika. Matumizi ya teknolojia ni muhimu katika kuendesha Shirika. Shirika limeweka mpango mpana wa muunganisho wa Mtandao Pepe wa Faragha (VPN) unaowezesha wafanyikazi kuunganisha wakiwa popote pale na kufikia mifumo na rasilimali zote za TEHAMA wakiwa hawamo ofisini.

Mfumo wa kompyuta wa udhibiti wa utoaji bima kwa kampuni nyingine za bima (SICS) hutoa huduma za mahitaji ya biashara ya bima za maisha na zisizo za maisha kwa kampuni nyingine za bima. Programu ya bima iitwayo "Prophet" huchakata kazi za bima za sera za maisha na zisizo za maisha ikiwa ni pamoja na kuhifadhi, kuweka bei na miundo ya mtaji kulingana na matendo bora ya kimataifa. Programu ya Hatari ya Utawala na Utifu (GRC) inatumika kuendesha oparesheni za udhibiti wa hatari kiotomatiki na kuboresha ujumuishaji wa utamaduni ufaao wa hatari kote katika Shirika. Vilevile, zana za ukadiraji wa viwango, ubora na uonyeshaji wa data zinatumiwa kwa ajili ya uwezo wa ndani wa uchanganuzi na majibu katika hatua ya uchanganuzi wa huduma.

Kutokana na matumizi ya teknolojia, Shirika liliweza kuamilisha Mpango wake wa Kuendeleza Biashara kwa haraka ili kujikinga kutokana na athari za janga la virusi vya korona. Manufaa mojawapo ni kwamba wafanyakazi walikuwa na uwezo wa kufanya kazi bila kuenda ofisini kwa urahisi. Tulihamisha mfumo wa barua pepe wa Shirika hadi katika huduma ya wingu ya Microsoft Office365 ambapo wafanyikazi wanaweza kuzifikia kupitia kompyuta za kupakata, kompyuta vibao na simu za mkononi. Tulizindua VPN ikiwa ni pamoja na viendelezi vya simu za mtandaoni kupitia kompyuta za kupakata. Mikutano ya mtandaoni ilikuwa jambo la kawaida katika kuendeleza Shirika bila usumbufu baada ya kuanza kwa janga la COVID-19.

Kenya Re inajitolea kuendelea kuchunguza na kuchukua fursa mpya zinazoletwa na teknolojia ambazo zitaboresha oparesheni na michakato ya biashara kwa urahisi.

MTAJI WA BINADAMU

Shirika linaendelea kufanya uwekezaji wenye athari kubwa kwa wafanyikazi wake kukuza maeneo ya taaluma kupitia mafunzo ya watu binafsi na ya kikundi na ujuzi ufaao unaolingana na majukumu ya kazi ili kuboresha uzalishaji. Uhamasisho na ufahamishaji wa wafanyikazi kuhusu upeo mpana wa mada uliofanywa 2019.

Shirika lilifanya juhudi za kudumisha, kuvutia na kubakisha wafanyakazi kupitia njia za kuboresha utamaduni, mipango ya kujenga timu pamoja na mipango shindani ya fidia na manufaa. Katika jitihada za kuhimiza ubunifu wa wafanyakazi, Shirika lilitumia ukaguzi wa Kamati ya Uvumbuzi kutuza mawazo ya kiubunifu na uvumbuzi yaliyokuzwa na wafanyakazi. Hii kwa upande wake iliimarisha shauku na ari ya wafanyakazi.

Shirika lina kikundi cha wafanyakazi wenye umilisi wa kiufundi walio na mtazamo, maarifa na ujuzi ufaao unaoliwezesha kufikia malengo yake ya biashara. Watu na utamaduni, ikiwa ni mojawapo ya nguzo tano za kimkakati katika Mpango wa Kimkakati wa Shirika, walisalia kuwa kiini cha oparesheni za Shirika.

UWAJIBIKAJI WA KIJAMII WA SHIRIKA (CSR)

Mnamo 2019, Shirika liliendelea kujitolea kufanya mpango wake wa uwajibikaji wa kijamii (CSR) kwa kusaidia watu wanaoishi na ulemavu kupitia mpango wake unaofahamika kama, "NIKO FITI NA KENYA RE - ability beyond disability campaign". Mpango huu wa CSR kufikia sasa umewanufaisha zaidi ya watu 6,800 wanaoishi na ulemavu tangu kuzinduliwa kwake 2011. Kila mwaka, asilimia ya jumla ndogo ya faida za kila mwaka za Shirika za mwaka uliotangulia hutumiwa katika shughuli za CSR.

Mradi wa Niko Fiti, kwa ushirikiano na Taasisi ya Elimu ya Watu Wanaoishi na Ulemavu nchini Kenya (KISE), uliendelezwa 2019. Tulichukua ukumbi katika Kituo cha aina yake cha Kitaifa cha Tathmini ya Elimu ya Saikolojia jijini Nairobi mwaka wa 2018. Ukumbi huu una kidimwi cha matibabu kupitia maji, sehemu ya mazoezi ya mwili na vyumba vya matibabu vilivyo na vyumba vya utazamaji na kujifunza. Tulitaja mradi huu kama mradi wa "urithi" kwa kuzingatia athari isiyo na kifani ambayo itakuwa nayo katika maisha ya watu wanaoishi na ulemavu nchini Kenya na kwingineko kwa miaka mingi ijayo.

Uhifadhi wa mazingira ni shughuli nyingine ya CSR ambayo Kenya Re ilifanya 2019. Kufikia sasa, Shirika limepanda zaidi ya miti 6000 katika Shule ya Upili ya Kibiko, Ngong, Kaunti ya Kajiado. Mwaka wa 2019, Shirika lilianzisha mpango wa upanzi wa miti katika shule ya Moi Girls Isinya ambapo miti 5,000 ilipandwa huku mingine 1,000 ikipandwa kwa ushirikiano na Huduma ya Misitu ya Kenya katika tukio maarufu lililoitwa "Changamoto ya Msitu". Jumla ya idadi ya miti ambayo Shirika limepanda ni 12,000.

Mnamo 2019, Shirika lilifanikiwa kukamilisha miradi ya Niko Fiti na Kenya Re CSR Education Integrations katika shule ya Wasichana ya Moi Isinya na Lenana jijini Nairobi. Miradi hii iliwezesha ufikiaji na ujumuishaji wa wanafunzi wanaoishi na ulemavu katika shule hizo mbili za kitaifa kwa kuboreshwa kwa rasilimali za shule kama vile vizio na miteremko ya ufikivu kwa vifaa vya kutembelea vinavyotumika na watu wanaoishi na ulemavu. Miradi hii ilikabidhiwa Shule ya Lenana na Shule ya Wasichana ya Moi - Isinya tarehe 10 na 11 Disemba 2019, mtawalia.

JINSIA NA USAWA

Shirika lilikadiriwa kuwa ya sita katika ubora nchini Kenya katika Ripoti maalum ya Usawa wa Jinsia katika Eneo la Kazi iliyotathmini kampuni 60 zilizoorodheshwa. Tuliibuka wa pili katika kategoria ya kampuni zinazomilikiwa pakubwa na serikali nchini Kenya baada ya Kenya Airways. Tathmini iliendeshwa na Equileap kupitia Soko la Hisa la Nairobi (NSE) na New Faces New Voices kutathmini kampuni zilizoorodheshwa nchini kuhusu usawa wa kijinsia mahali pa kazi. Tathmini hii ilitumia kigezo cha Equileap, mbinu tondoti ya kutathmini usawa wa kijinsia mahali pa kazi. Kigezo hicho kilikuwa na taratibu 19, ikiwa ni pamoja na usawa miongoni wa wafanyakazi, tofauti ya malipo kijinsia, livu kwa baba inayolipwa na sera dhidi ya unyanyasaji, miongoni mwa mengine. Mbinu hii inatumika kutathmini zaidi ya kampuni 3,000 kimataifa kila mwaka.

MUSTAKABALI

Kuendelea mbele, Shirika litadumu kutekeleza Mpango wake wa Kimkakati wa 2017-2021, kama unavyoendelea kukaguliwa kupitia Mipango ya Biashara ya kila mwaka, kwa lengo la kufikia malengo ya kimkakati yaliyowekwa. Shabaha itasalia kufikia malengo mbalimbali chini ya nguzo kuu za kimkakati ya mpango wa kimkakati. Malengo ya kimkakati ambayo tutafuata ni ukuaji endelevu na pana wa kifedha, udumishaji wa mifumo na michakato inayoshughulikia mahitaji ya biashara na masilahi ya washikadau, kukuza na kupanua nafasi bora za fedha kwa ajili ya uendelevu wa biashara, kudumisha mipango pana ya udhibiti wa hatari na kuunda rasilimali za kibinadamu na utamaduni kulingana na mahitaji ya utendaji wa Shirika.

Ni wazi kwamba kwa muda wa karibuni na kati, Shirika litaendesha kazi zake katika mazingira yenye changamoto ya biashara hasa ujio wa janga la virusi vya korona ambalo kwa mwaka wa 2020 pekee, limesababisha madhara ambayo hayakutarajiwa kwenye biashara ambazo nyingi yazo zimeripoti kupungua pakubwa kwa uwezo wa kupata mapato na ilani za faida za huduma, faida kupungua pakubwa, hasara za moja kwa moja na kufungwa kwa biashara nyingine nyingi.

Kuhusiana na kushushwa kwa viwango vya mikopo kitaifa na taswira ya nchi nyingi katika masoko ya Shirika barani Afrika, Kenya ikiwemo, mashirika ya ukadiriaji wa mikopo vilevile yamedurusu taswira ya Shirika kifedha na ukadiriaji wa mikopo. Ukuaji wa GDP na mwonekano wa kiuchumi wa kitaifa katika masoko mengi ya Shirika ni duni mwaka wa 2020 kuendelea.

Nchini Kenya, Shirika la Fedha Duniani (IMF) linakadiriwa ukuaji kwa 1.0% Hazina ya Kitaifa ikikadiriwa ukuaji kwa 2.5%. Hali tete katika soko la ubadilishanaji wa kigeni inatarajiwa. Idadi ya watu walioajiriwa inakadiriwa kupungua pamoja na kudidimia kwa viwango vya fedha zinazotumwa nyumbani na Wakenya wanaoishi ng'ambo kwa 9.0% hadi dola milioni 208.2 mwezi wa Aprili 2020. Soko la hisa lilikuwa likididimia, huku NASI, NSE 20 na NSE 25 zikipungua kwa 17.3%, 26.8% na mtawalia 21.5%. Sekta ya ofisi za kibiashara ilirekodi mapato kwa - 0.2% ya kodi ya nyumba na 0.3% za nyumba zilipata wapangaji. Kodi za nyumba zilizowekwa na wenye nyumba kwa upande mwingine zilipungua kwa 0.8%. Bei za nyumba zilizowekwa na wenye nyumba pia zilipungua kwa 1.0%. Kiwango cha chini zaidi cha ushuru cha 1.0% cha jumla ya mapato kilianza kutumika 2020. Ushuru huu mpya utatumika kwa watu wote iwe wanapata faida au hasara.

Uchumi wa nchi zote kote ulimwenguni unakabiliana na makali ya janga la virusi vya korona huku ukuaji wa GDP ukitarajiwa kushuka pakubwa katika historia. Kenya haijaachwa nyuma na athari mbaya zinatarajiwa kusababisha madhara makubwa kwenye utendaji wa kifedha wa mashirika.

Katika eneo la Kusini mwa Jangwa la Sahara, Benki ya Dunia ilikadiriwa kupungua kwa ukuaji kwa 5.1% mwaka wa 2020 kutoka kwa ukuaji wa 3.0% uliokadiriwa mwanzoni mwa mwaka huu. Shirika la IMF linakadiriwa kiwango cha ukuaji kupungua kwa 3.2%. Eneo la Kusini mwa Asia litapitia hali mbaya zaidi ya utendaji wa uchumi wake katika miaka 40 iliyopita – India, Pakistani, Afghanistan, Bangladesh na Nepal. Katika Mashariki ya Kati, ukuaji sasa unakaridiriwa kuwa kwa – 4.7% mwaka wa 2020.

Licha ya mazingira ya sasa na yanayokadiriwa yenye changamoto ya biashara, Shirika litataka kuboresha uwezo wake katika masoko ya ndani na ya kimataifa. Miongoni mwa mikakati mingine, tutataka kuboresha utendakazi wa wafanyakazi waliopewa motisha, kuboresha mchakato na kutumia teknolojia ifaayo kwa ufanisi na uwasilishaji wa huduma na ukaguzi wa mkakati wetu wa uwekezaji ili kupata kiwango cha juu cha mapato kutokana na fedha za wenye hisa. Tataangazia kuboresha udhibiti wa hatari na kukumbatia utawala wa shirika, mielekeo yenye maadili na matendo ya kupigiwa mfano.

HITIMISHO

Ninatoa heshima zangu kwa wateja wetu kwa kutambua kikamilifu kwamba ni msaada wao kwa biashara ambao umelipa Shirika uhai. Shukrani zangu za dhiti zinawaendea washikadau wa Shirika kwa msaada wanaoendelea kutoa na imani waliyo nayo kwa Shirika. Ninawashukuru wenye hisa wetu kwa hisa zao na ujasiri katika kuwekeza kwenye Shirika, hasa Serikali ya Kenya, ambayo inasalia kuwa mwenye hisa nyingi zaidi. Ninashukuru bodi, usimamizi na wafanyakazi wa Shirika kwa mchango wao maridhawa katika kufikia malengo ya shirika ya Kenya Re. Zaidi ya hayo, shukrani yangu kuu ni kwa Mwenyezi Mungu kwa baraka zake tele.

Jadiah M. Mwarania,
MBA, FCII, FIIK, Chartered Insurer, FMKIM, OGW
MKURUGENZI MTENDAJI

KENYA RE SUSTAINABILITY REPORT

Sustainability reporting can be considered as synonymous with other terms of non-financial reporting; triple bottom line reporting, corporate social responsibility (CSR) reporting, and more. It is also an intrinsic element of integrated reporting; a more recent development that combines the analysis of financial and non-financial performance.

Sustainability reporting is very integral to us, since it helps us measure, understand and communicate our economic, environmental, social and governance performance, and then set goals, and manage change more effectively. Our sustainability report is the key platform for communicating sustainability performance and impacts. This report gives a holistic and balanced perspective of the Corporation's outlook from all spheres and touch points.

We recognize the value of the sustainability reporting process since it ensures we critically consider the impacts on these sustainability issues and enables us to be transparent about the risks and opportunities we face. Stakeholders also play a crucial role in identifying these risks and opportunities for us, particularly those that are non-financial. This increased transparency leads to better decision making, which helps build and maintain trust across the entire stakeholder fabric.

Sustainability Focal Points

Our sustainability is berthed on the tenets of our growth future and the broader strategic objectives of the Corporation. Our desire is to have our business and our stakeholders flourish in a sustainable way. We are aware that when our stakeholders grow, we also grow.

Value creation for our stakeholders is critical for us and we strive to meet and exceed their expectations by channeling our efforts into the following focal points:

1. Economic

Kenya Re remains a steadfast contributor to National economic growth by meeting all necessary financial obligations in a timely way. As a key corporate player in this economy, we prioritize timely remittance of taxes since we are cognizant of the impact of prompt tax-remittance towards driving positive holistic economic development and growth.

Additionally, our listing at the Nairobi Securities Exchange (NSE) categorizes our ownership into two; the Government of Kenya as well individual & corporate shareholders. Kenya Re ensures timely payment of dividends to the Government of Kenya (our majority shareholder) as well as our individual and corporate shareholders. We do this not only in a bid to meet our obligations but with a long-term view in mind of spurring economic growth coupled by enhanced investor/shareholder confidence.

2. Social

Our contribution into the social focal point of our sustainability focus is felt far and wide. The Corporation is guided by a Corporate Social Responsibility policy which is in place to inform proper planning and execution of sustainable Corporate Social Responsibility (CSR) initiatives.

Our flagship Corporate Social Responsibility (CSR) initiative – **Niko Fiti ability beyond disability CSR Campaign** has been successful from time immemorial in its inception in 2011. It has touched the lives of over 8,300 persons living with disability in all major cities and towns in Kenya namely Nairobi, Kisumu, Mombasa as well as towns such as Nairobi, Kisumu, Mombasa, Eldoret, Nakuru, Busia, Embu, Meru, Machakos, Kakamega, Kisii, Bungoma, Siaya just but to mention a few. The goals of this initiative being total eradication of the acute stigma associated with persons living with disability and their empowerment to be equal players in contributing towards nation-building activities. Niko Fiti has successfully managed to distribute mobility and assistive devices such as wheelchairs, tricycles, crutches, walking canes, prosthesis, urine bags, special seats, polio boots, yaya seats, AFO splints, KFO splints and other assorted orthopedic devices in all these visited areas. These distributions are done in public areas such as sub-county and referral hospitals as well as stadiums if the number of beneficiaries is too large. The initiative, since inception has always brought on board two strategic partners; one being a media partner carefully selected through an analysis of its reach effectiveness to the target stakeholders of this initiative; the primary role of the media partner being to publicize

all activities of the initiative in its mass media channels. The other partner is the Association for the Physically Disabled of Kenya (APDK) whose work to date entails identification of the persons living with disability and fabricating the mobility and assistive devices needed for the distributions as per assessments conducted. APDK has been the linkage partner ever since commencement of the CSR initiative whilst media partners have been different over the years and whose selection is based on competitiveness to reach targeted stakeholders in the regions the CSR campaign targeted to visit.

Niko Fiti has also spread its wings through an education integration program aimed at giving bright students living with disability an opportunity to access quality education in two National schools. The program has seen modification of school facilities such as refurbishment of sanatoriums and student cubicles as well as construction of ramps in schools to enable efficient mobility. These projects were conducted at Lenana School, Nairobi and Moi Girls School – Isinya.

Still on advancement of our CSR program under the umbrella of Niko Fiti, we partnered with the Kenya Institute of Special Education (KISE) to adopt a block in their new state of the art Psycho Education National Assessment and Rehabilitation center in Kasarani, Nairobi - Kenya that will cater for persons with physical disabilities. We have named this project Niko fiti legacy project given its existence of many years and further the impact it has in assisting Persons Living with Disability. It shall see thousands of persons living with disabilities benefit from the services offered by the center. The block hosts a hydrotherapy pool, a rehabilitation gymnasium and treatment rooms complete with observation/learning rooms that have been branded and equipped. The Corporation's participation in the project has a significant and positive impact not only in the country but the whole of Africa as the assessment center that will serve people not only in Kenya but in the region and beyond. The project makes a profound contribution towards attainment of the Big Four Agenda under the pillar of Universal Health coverage.

Kenya Re remains very committed to its social development of the society because we are firm believers of the fact that when society flourishes, we equally flourish. We continue investing back in the society through our flagship CSR initiative – Niko Fiti, through empowering the community of persons living with disability to be significant contributors to the establishment, development and growth of nation-building activities. We believe, disability is not in-ability; indeed, **Niko Fiti and Kenya Re!**

- **Disability Access in buildings-**

We have taken disability mainstreaming a notch higher by ensuring all our commercial properties accommodate persons living with disabilities. Kenya Re's commercial properties have been modified to be disability friendly and allow for access for PWDs with minimal inconvenience. Some of the modifications done entail:

- i. They have ramps to aid persons living with disability access all points of our buildings.
- ii. Our lifts have voice-capability to inform passengers of various stops on the building floors - this is custom-made precisely for persons with hearing disability.
- iii. Additionally, the buttons in our lifts are positioned in an accessible position to ensure persons living with disability may use them comfortably.
- iv. Disability-friendly washrooms to accommodate Persons Living with Disability.
- v. Stand-by evacuation-chairs during emergencies such as Fire.

3. Socio-Economic

- **Tenders**

Kenya Re awarded various tenders for special groups consisting of Women, Youth and People Living with Disability (PWDs). In addition, trainings were held for special groups in order to equip them with skills on how to successfully bid for tender opportunities with the Corporation. All tenders were published in the local daily newspapers, Corporation's website and the Public Procurement Information Portal (PIIP). Below is a summary of our Access to Government Procurement Opportunities (AGPO) in 2019:

AGPO PERFORMANCE 2019			
NO.	RESERVATION GROUP	VALUE	TOTAL COST KSHS
1	Youth	10,614,481.91	159,990,229.51
2	PWD	4,378,910.00	
3	Women	144,996,837.60	

- **Commercial Mortgages-**

Kenya Re provides commercial mortgages to the general public at a competitive interest rate. This contributes towards efforts to alleviate the housing shortage experienced in Kenya.

4. Environmental

"Conservation is a state of harmony between men and land." This quote recalls images of sparkling lakes, giant redwood trees and happy little squirrels collecting nuts in Disneyesque fashion. It paints a picture of a peaceful world; a world that Kenya Re envisions to operate in through the many years to come. Kenya Re as a corporate entity has risen to the occasion and is a key champion of environmental conservation through planting of trees annually. In true testament to this effort, the Corporation has 8,500 planted trees at Kibiko Secondary School in Ngong from the year 2013 which is a remarkable contribution to provision of oxygen, improving of air quality, climate amelioration, conserving water as well as preserving the soil. Due to the many trees planted in the school, the land was exhausted, and the Corporation identified Moi Girls School - Isinya as a second zone for tree-planting. The Corporation, last year, set out to planting 5,000 trees at the institution. Additionally, the Corporation is currently implementing a modern state of the art drip-irrigation project to support growth of the trees and future tree-planting initiatives at the school.

The Corporation further went ahead to support the Kereita Forest Challenge organized by the East Africa Wildlife Society (EAWLS) and the Kenya Forest Service (KFS) in November last year that saw the Corporation sponsor the planting 1000 trees, all in the Corporation's committed effort to environmental conservation efforts.

The Corporation remains committed to supporting environmental conservation efforts as a sure way to improving the quality of life for all.

- **Renewable Energy-**

The Corporation has installed a solar grid tied power system at the head office. This means that power from Kenya Power Lighting Company (KPLC) is a back up to the solar power which is first fully consumed before using additional power demand that is now supplied by KPLC.

Additionally, the Corporation has installed state of the art modern sensors and electrical equipment in the whole building which automatically switches lights off where there are sufficient light levels in the building, it also monitors consumption of power by the tenants and gives reports which we share with the tenants on how to optimize energy usage in the building. Most importantly the ventilation fans fitted in the basement are operated using the sensors which monitor the temperature, humidity and carbon monoxide levels in the basement and turns the fans on and off instead of running them 24/7. All these measures have reduced our energy consumption by more than 30% therefore reducing the net carbon foot print and energy wastage and increasing the building's greenness.

- **Water Conservation**

The Corporation is currently undertaking a pilot study at Anniversary Towers on how to recycle the water and re use all the ground and storm water for cleaning and toilet flushing to minimize water wastage.

5. Governance-

• Governance structure

The Corporation has adopted high standards and applies strict rules of conduct based on the best corporate practices. As part of this commitment, the Board adheres to good corporate governance by observing high standards of ethical and moral behavior; acting in the best interests of the organization; remunerating and promoting fairly and responsibly; recognizing the legitimate interests of all stakeholders; and ensuring that the organization acts as a good corporate citizen.

• Governance Audit

In line with the CMA Corporate Governance Code for Issuers of Securities to the Public, a governance audit was conducted for the financial year 2018 and the recommendations implemented in 2019.

• Delegation of Authority-

The Board and Management execute their mandate in an environment of mutual trust and respect having regard to the principles of good governance. In this regard, the Board provides clear and distinct lines of responsibility and accountability and maintains effective channels of communication.

• Separation of Powers-

The Managing Director and the Board play separate and distinct roles but work together to achieve organizational goals. The Board is responsible for appointing the Managing Director through a competitive process. The Board together with the Managing Director select the management team and put in place a succession plan for both the Managing Director and management. The Managing Director is responsible for overseeing the execution of the Board's directions and policies to ensure that the Corporation meets its strategic goals.

• Compliance to CMA guidelines-

The Corporation did a governance, legal and compliance audit in 2019. The Corporation was found to be compliant with its legal, regulatory and governance requirements. An evaluation of the Board of Directors and Managing Director was carried out in the e-Board system using the State Corporations Advisory Committee (SCAC) tool.

6. Gender Parity

Kenya Re has excelled in Gender Parity and continues to have a near equal distribution of gender among its employee population. Currently, the employees are distributed as 51% women and 49% male. Top management is made up of 63% men and 37% women, indicating a high representation of women in top management.

7. Ethics and Integrity

- Anti-Corruption Policy – The Corporation has an Anti-Corruption policy in place and has committed itself to "Zero" tolerance on corruption.
- The Corporation has trained staff on matters concerning ethics and integrity. In addition, there are 15 trained Integrity Assurance Officers (IAO) who champion the cause of issues related to ethics and integrity.
- The Corporation has both internal and external mechanisms for reporting corruption. Internally corruption reporting boxes have been availed in all Corporation offices and buildings. Staff and stakeholders are similarly able to utilize the external mechanism for reporting corruption using the BKMS system available on the Ethics and Anti-Corruption Commission's website.

SUSTAINABILITY- A TRUE VALUE APPROACH

Kenya Re is committed to creating value for each of our stakeholder groups by working hand in hand with them all in order to achieve a mutually beneficial outcome. We appreciate the fact that each stakeholder group is unique in its contribution as well as expected outcome from the Corporation when setting objectives with regards to them. Therefore we undertake to ensure that true value is achieved for each stakeholder in the long term hence the need to ensure that all our business practices are sustainable. Our true value approach in identifying our various stakeholders is etched in the provisions of the mwongozo code as well as our communication policy.

Our Stakeholders:

1. Customers- Insurance Companies; both local and international, tenants and mortgagors.
2. Regulators- these are government bodies that enforce various policies and guidelines that determine how we do our business.
3. Shareholders- They comprise of the Government of Kenya the majority shareholder, Private Investors as well as individual shareholders who own a stake at the Corporation.
4. Employees- this is our human capital element that provides the much needed skills and expertise with which we are able to carry out our business.
5. Communities- these are the social groups that are impacted by our business or the localities in which we operate in.

Stakeholder engagement relations policies/procedures:

The Corporation remains very cognizant of the need to constantly engage the different Corporation stakeholder groups. Listening to our stakeholders helps the company to maximize its investment in product research and development and subsequently grow our market share. Engaging with our stakeholders also ensures potential problems are addressed, or changes communicated and understood. We have put in place policies and strategies of dealing with our stakeholders being shareholders, suppliers, ceding insurance companies, brokers, tenants and many others. The Mwongozo code, Communication Policy as well as underwriting, procurement, and other functional procedures are effective in managing our relations with the diverse stakeholder groups as well as guiding the board in recognizing and ultimately respecting the governance practices of stakeholders aiming at enhancing best governance practices.

Building strong relationships with external stakeholders and between management and employees is a vital component in the creation of constructive and deliberate engagements so that all stakeholders benefit. Our sustained effort in establishing strong partnerships between businesses, government, organized labour and community leaders aims to ensure that necessary steps are taken to secure a sustainable future and realize shared value for all our stakeholders.

As outlined in our Corporate Social Responsibility (CSR) policy, the Corporation holds and attaches significant importance to discharging overall social responsibilities to the community and society at large in all its activities; hence it will engage stakeholders honestly and respectfully with commitment to timely and meaningful dialogue with all its stakeholders; in a transparent and effective manner.

Value Creation for our Customers:

Customers are an important part of stakeholders and the Corporation is committed to ensuring that they are treated with respect and served in the best way possible. Therefore our promise is that at all times:

- Our clients will be treated with courtesy and consideration and our staff will be helpful at all times.
- Customer questions and needs will be attended to promptly.

- We will exercise the utmost integrity in providing services to our clients.
- We will not disclose any information that may adversely affect our clients without their consent, except where we are under legal obligation to disclose.

Customer Appreciation through #CSWEEK2019

The Corporation is an active member of the Institute of Customer Experience (ICX) Kenya, which is the body that organizes the annual Customer Service Week in Kenya. The Corporation last year participated in the 2019 Annual Customer Service Week which focused on the internal customer in line with the global customer service week theme that sought to celebrate internal stakeholders (Board and staff) and their contribution towards the various concerted efforts that see the Corporation achieve its set goals and objectives which sometimes goes un-appreciated.

Value Creation for Regulators

We ensure that we comply with various regulations that govern our business and provide our services in an ethical manner devoid of prejudice. We are cognizant of the Economic, Social and Governance (ESG) policies that determine our operational mandate. The following are our regulators:

Regulator	Mandate	Areas of Engagement
Insurance Regulatory Authority (IRA)	The IRA is mandated to regulate, supervise and develop the insurance industry in Kenya.	Quarterly Returns, Inspection of operations and Investments.
Capital Markets Authority (CMA)	The CMA is a regulating body charged with the responsibility of supervising, licensing and monitoring the activities of listed companies licensed under the Capital Markets Act.	Corporate Governance.
Kenya Revenue Authority (KRA)	The KRA is charged with the responsibility of collecting revenue on behalf of the Government of Kenya.	Taxation.
National Environment Management	NEMA is the government agency tasked with management of the environment and environmental policy of the country.	Environmental Impact.

Our business engagement in all areas is conducted with full awareness of the regulatory requirements and in compliance with the various policies that determine operations.

Value Creation for Shareholders:

We seek to engage our existing and potential shareholders by providing relevant and up to date information about our performance and strategy.

Our shareholders expect timely, accurate and regular information from the Corporation.

We engage and respond to our investors and shareholders through annual general meetings, investor and media briefings, conference calls, international road shows where existing and potential shareholders are met, performance and strategy information on our website.

Value Creation for Employees:

We believe in primarily attracting and retaining the best talent who are our staff and we invest in them to realize their full potential in order to achieve our goals. We have continuously made it our priority to inculcate a high-performance culture, offer competitive remuneration packages, reward outstanding performance and encourage and appreciate innovations.

In 2019, all our staff members were internally and externally trained in different fields of specialization like Reinsurance, customer service, leadership and risk management.

Our employees are offered a competitive package and value-added benefits that include staff loans, medical cover, pension, performance based bonus, annual leave allowance and advanced professional development support.

Because of the loyalty and unwavering support from staff, the Corporation has benefited through:

- Reduced staff turnover.
- Loyal and dedicated work force.
- A highly motivated and professional workforce.
- Great performance delivery from staff.

Whistle Blowing Policy:

Kenya Re has developed a whistle blowing policy to encourage employees and other parties to report unethical behaviors, malpractices, wrongful conduct, fraud, violation of the company's policies & values, violation of law by any employee of Kenya Re without any fear of retaliation. It seeks to build and strengthen a culture of transparency and trust within the organization.

Corporate Social Responsibility Policy:

The Corporation acknowledges the scope of the social value of contribution to community programs besides the traditional ways in which it contributes directly to wealth creation of the nation in various ways and more specifically through taxation.

This policy guides in the execution of the strategic intent to ensure that we continue to be accountable not only to our shareholders but also to our stakeholders. The policy serves as a testament and commitment of the Corporation to behave ethically and contribute to economic development of the entire community of Kenya.

In the execution of this policy, Kenya Re will use channels which are efficient and transparent in line with the Public Officer Ethics Act. The level of commitment to this fundamental will entirely depend on the continued profitability and business performance of the Corporation.

Kenya Re's focus for consideration of possible contribution to public affairs will normally be aspects of:

- i. Insurance/reinsurance industry concerns.
- ii. National disasters/ tragedies, declared as such by Government of Kenya.
- iii. Severely disadvantaged families and communities in Kenya.
- iv. Community/public projects that benefit the community directly or indirectly - wealth creation.

The Corporation will consider and implement the allocation of financial, material and/or managerial support to causes and activities which represent social value in selected fields subject to an approved plan and within the limits of the available resources as may be authorized by the Board.

Energy Policy:

The Corporation recognizes that energy utilities (electricity, diesel and water) are a significant overhead within its facilities. In addition, Kenya Re also appreciates that the consumption of fossil fuels has a negative environmental impact from the emissions of carbon dioxide (CO₂) and the depletion of non-renewable resources.

In keeping with the corporate policy of continuous improvement, Kenya Re is committed to responsible energy management both as a social and commercial entity, thus will practice energy efficiency

throughout its facilities wherever it is cost effective to do so.

By adopting this policy, the Corporation together with its affiliates accept adherence to its content and to uphold the incorporated practice.

The energy policy seeks to:

1. Avoid unnecessary expenditure on energy.
2. Improve energy efficiency continuously by implementing effective energy management programs that support all operations and customer satisfaction while providing a safe and comfortable work environment.
3. Protect the environment by minimizing CO2 emissions.
4. Conform to the overall national Energy and Environment Policy.
5. Designate an Energy Manager and a Consultant to oversee energy management operations.
6. Comply with the Energy Management Regulations 2012.

Entrenched in the corporate mission, the Corporation endeavors to be socially responsible and environmentally conscious by observing high ethical standards in all business practices.

Risk Management Policy:

The Corporation has a comprehensive risk management policy that addresses the following:

- i. Anti-Money Laundering Policy
- ii. Capital Adequacy Policy
- iii. Compliance Policy
- iv. Board Risk Committee Charter
- v. Business Continuity and Disaster Recovery Policy

The directors of Kenya Re have committed themselves to establish and maintain a process of risk management that is aligned to the principles of best corporate governance practices. The features of this process are outlined in the Corporation's Enterprise Risk Management (ERM) framework. All operations in both head office and subsidiary offices are subject to the ERM framework.

Effective risk management is of crucial importance to the Corporation given the scale of operations and risk profile. The realization of our strategy depends on us being able to take calculated risks in a way that takes care of the interests of our stakeholders. An enterprise wide approach to risk management has been adopted by the Corporation, which provides a structured and systematic process of risk management.

The Corporation is continuously striving to embed an appropriate risk culture so that responses to risk remain current and dynamic. All risks associated with a major change and significant actions by the Corporation also fall within the ERM framework. The aim of the ERM framework is to enhance efficiency. Controls and risk interventions are chosen based on their ability to increase the likelihood that fulfils our mandate to the stakeholders.

Company procurement policy

The Corporation is governed by the Public Procurement and Asset Disposal Act, 2015 which guides all procurement activities in the Corporation. The Act ensures that the services and goods we acquire are the result of transparent, objective, time and cost-effective decision making and risk management.

Information technology policy

The Corporation has the following Information technology policies:

- i. Mobile devices Usage Policy for Directors
- ii. Security Policy
- iii. Privacy & Acceptable use policy
- iv. Access Control Policy
- v. Anti-virus Policy
- vi. Email Acceptable Policy
- vii. Mobile Devices Acceptable Use Policy (Staff)
- viii. Firewall Policy
- ix. Internet Acceptable Use Policy
- x. Internet DMZ Equipment Policy
- xi. Servers Security Policy
- xii. Service Desk Policy
- xiii. ICT Resources Change Management & Control
- xiv. Back up Policy
- xv. Sensitive Data Protection Guideline
- xvi. Reporting An Incident Guideline and Form
- xvii. Approved pre-installed applications in Laptops
- xviii. Schedule of ipad operating systems

All these policies ensure the acceptable use of ICTs within the Corporation.

Conflict of interest policy:

Our Conflict of interest policy addresses situations and circumstances in which the directors' and employee's personal interests are - or appear to be - in conflict with the organization's interest. It also assigns responsibility for identifying and resolving actual and potential conflicts.

Insider Trading

The Corporation's Board recognises that insider dealings are illegal as provided in the Capital Markets Act Cap 485A and confirms that there were no known insider dealings in the year under review.

Stakeholder interests in decision-making

The Corporation has adopted collaborative consultative partnership approaches in community investments that integrates community investments considerations into decision-making. The Corporation consistently works towards enhancing its reputation by engaging in building stakeholder relationship through being sensitive and responsive, to the community's needs, and providing economic opportunities in the communities where it operates. The Corporation engages stakeholders through Annual General Meetings (AGMs) and investor briefings and takes into keen consideration issues raised in the two fora. Stakeholders' interests are accommodated for in the Strategic Plan which informs key decision-making at the board level.

Effective communications with stakeholders

The Corporation recognizes that our stakeholders are the people and organizations whose attitudes and actions have an impact on the overall successful attainment of our goals, targets and objectives. Communicating regularly with our stakeholders has enabled us have a positive understanding of their interests and attitudes and has helped us build effective long-term relationships with key groups. The board engages stakeholders through Annual General Meetings (AGMs), Investor Briefing, the Corporation's website and mass media, social media (Twitter, Facebook), one on one meetings, market visits, market surveys and newsletters.

Dispute resolution process to address internal and external disputes.

Kenya Re is committed to delivering the highest possible quality and level of service to its customers. We intend to provide services through the best practice and in line with our customers' needs as we continually seek improvements. We value feedback relayed to us from our stakeholders in form of complaints, as they help us understand specific areas we need to improve on so as to enhance efficient customer service. Our internal disputes are managed through the Human Resources Operations Manual while external disputes/complaints are managed through the complaints handling mechanisms/infrastructure and a Complaints Handling Committee established for this purpose. Contracts with the suppliers, contractors and service providers have clauses for arbitration and mediation which are alternative dispute resolution mechanisms entrenched in the Corporation's systems and policies to avoid having drawn out and public litigation.

Transparency and disclosure:

We are alive to the fact that the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company. Our Board of directors are responsible for the overall governance of our Corporation. On the Corporate Governance Statement within this Annual Report, we have openly disclosed our company's governance structure, the Board and the Audit Committee.

Our sustainability is anchored on our vision, statement of purpose and core values which determine the strategic objectives of the Corporation. Our role and aim is to create value for shareholders and the society alike. This Annual Report openly discloses our mission, vision, core values and strategic objectives which are fundamental in determining the Company's direction as well as defining what goals and supporting objectives must be accomplished.

Kenya Re acknowledges that it is essential for businesses to provide a safe and trustworthy environment, so that employees feel comfortable and protected when they have information to share. That is why our top management, in a bid to promote, demonstrate and commit to the inclusion of whistleblowing within business culture, have adopted a whistle blowing policy that is published on the Corporation's website. This Annual Report also sufficiently and openly discloses Directors remuneration.

The Corporation has appropriately made the following disclosures on our website (www.kenyare.co.ke) in relation to policies:

a. Board Charter

Our Board charter has clearly set out the role, responsibilities, structures, functions and processes of the Board of Kenya Reinsurance Corporation Limited.

b. Whistle-Blowing Policy

The whistle-blowing policy encourages staff and other stakeholders to report unethical behaviors, malpractices, wrongful conduct, fraud, violation of company's policies and values, violation of law by any employee of Kenya Re without any fear of retaliation.

c. Code of Conduct and Ethics

Our Code of Conduct and Ethics spells out procedures, rules and guidelines on how employees should carry out their day to day duties.

Transparency and Disclosure:

We remain committed to the main principle and purpose of disclosure of accounting policies, which is to disclose any affair or event that had an influence on any of the financial statements. Our Annual Report has made the following disclosures on our Annual Report:

a. Compliance with laws and standards

We are abiding to all regulatory compliance requirements as we are keen on ensuring that the strategic objectives and goals we have set as an organization are met in an honest and fair manner.

b. Regulations and standards

Regulations protect consumers' rights, health, and safety, and ensure minimum standards for products and services. We are keen on ensuring that we consistently comply with regulations and standards so as to protect the environment, protect the rights of employees and overall, ensure that our business is achieving its goals safely and fairly.

c. Ethical leadership

The Corporation values ethical leadership since it is a catalyst to financial and strategic success. Our board charter as well as code of conduct sufficiently addresses ethical leadership.

d. Conflict of interest

At the core purpose of embracing our conflict of interest policy, is to protect the Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation or might result in a possible excess benefit transaction.

e. Governance Audit

We have made known all disclosures including pertaining to governance audit sufficiently through this Annual Report.

KENYA REINSURANCE CORPORATION LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER 2019

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

1. INCORPORATION AND BACKGROUND INFORMATION

The Kenya Reinsurance Corporation Limited is a public limited liability company reconstituted through an Act of Parliament in 1997. It was established through an Act of Parliament in December 1970 and commenced business in January 1971 as Kenya Reinsurance Corporation. The Government of Kenya owns 60% of the company while the public through Nairobi Securities Exchange owns 40%. The address of the registered office is set out on page 1.

It has three fully owned subsidiaries; Kenya Reinsurance Corporation, Cote d'Ivoire, which was incorporated on 19 September 2010, Kenya Reinsurance Corporation Zambia Limited, which was incorporated on 26 November 2015 and Kenya Reinsurance Corporation Uganda-SMC Limited, which was incorporated on 26 August 2019. Kenya Reinsurance Corporation, Cote d'Ivoire, operated as a full subsidiary starting in 2015, the Zambian subsidiary started operating in 2016, while Uganda subsidiary started operations in January 2020

2. PRINCIPAL ACTIVITIES

The principal activities of the Group are underwriting of all classes of reinsurance business and investment activities.

3. RESULTS

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Profit before tax	4,176,194	3,101,850	4,041,808	3,033,273
Income tax expense	(209,815)	(823,568)	(180,842)	(823,568)
Profit for the year transferred to retained earnings	<u>3,966,379</u>	<u>2,278,282</u>	<u>3,860,966</u>	<u>2,209,705</u>

4. DIVIDENDS

The directors recommend the approval of a first and final dividend of KShs 0.10 (2018: KShs 0.45) per share totalling to KShs 280 million for the year ended 31 December 2019 (2018: KShs 315 million).

5. DIRECTORATE

The directors who held office during the year and to the date of this report are set out on page 1.

6. BUSINESS REVIEW

We delivered on our commitment to continue growing the shareholders' value. The gross written premiums, investments income, shareholders' funds and assets base registered growth.

Operational performance

Gross written premiums grew from KShs 14.838 billion in the year 2018 to KShs 17,521 billion in 2019. Net earned premiums grew by 9% from KShs 14.2 billion in 2018 to KShs 15.5 billion in 2019. Investment income grew from KShs 3.39 billion to KShs 3.71 billion. The profit before tax for the year was KShs 4.2 billion, which was an increase of 35% compared to the profit before tax of KShs 3.1 billion for the year ended 31 December 2019

Our accomplishments are the outcome of disciplined execution of our five-year strategy which is grounded on the following five pillars; financial performance, business process improvement, business development, risk management and people and culture.

6. BUSINESS REVIEW (continued)

Financial overview

Financial overview of the Group continues to deliver positive results to shareholders and has maintained a good performance despite the challenging business environment experienced during the year.

Our investment portfolio grew to KShs 43.8 billion in 2019 up from KShs 37.4 billion in 2018. The asset base increased from KShs 44.2 billion in 2018 to KShs.50.3 billion in 2019, a 14% growth. The Shareholders funds increased from KShs 28.37 billion in 2018 to KShs 31.9 billion in 2019 which represented a growth of 12 %.

The Key performance drivers that are responsible for positive financial state of the organization include, aggressive collection of the reinsurance receivables and real time market intelligence which guided our response to market changes and the uptake of investment opportunities.

Key performance indicators

	2014 KShs Millions	2015 KShs Millions	2016 KShs Millions	2017 KShs Millions	2018 KShs Millions	2019 KShs Millions
Gross premium	11,570	13,060	13,245	14,827	14,838	17,521
Net premiums written	10,313	12,016	12,687	13,680	14,206	15,530
Investment Income	2,592	3,041	3,079	3,165	3,386	3,715
Total assets	32,174	35,954	38,494	42,733	44,363	50,361
Shareholders' funds	19,991	21,933	24,133	27,205	28,373	31,951
Management Expenses	1,093	1,319	1,832	1,709	2,020	2,043

Principal risks and uncertainties facing the Corporation

In the course of its business operations, the Corporation faces key threats in meeting its business objectives. Among these are market risk exposures from its investment activities which arise due to reduced earnings on deposits with financial institutions due to interest rate capping which was repealed in November 2019, erratic prices of quoted equities and foreign exchange losses from underwriting operations in diverse regions with different currencies.

The Corporation faces stiff competition both in its local and international markets. There has been increasing cases of domestication of reinsurance business in some key markets, setting up of national reinsurance in countries where there were none, mergers and acquisitions, increasing retention capacity of direct underwriters reducing reinsurance premiums, creation of captive reinsurance companies which are new entrants in Corporation's target markets, unfavourable changes in legislation in some markets and price undercutting amongst competitors.

Delays in receiving outstanding reinsurance premiums continues to pose credit risk to the Group. This is mainly from outstanding retro recoveries as well as outstanding premium receivables from cedants and brokers. As at 31 December 2019, gross receivables stood at KShs 5.42 billion against provisions of KShs 2.8 billion as compared to 31 December 2018, where gross reinsurance receivables stood at KShs 5.67 billion against provisions of KShs 2.0 billion.

Underwriting risks mainly relate to the risk that underwriting costs may exceed the premiums generated from the underwriting activity. The Corporation's underwriting loss was Kshs 2.1 billion in year 2019 from a loss of KShs 0.3 billion for year 2018. The Corporation's claim ratio stood at 72 % in year 2019 up from 62 % registered in year 2018. Claims incurred in year 2019 grew by 27 % to KShs 11.2 billion up from KShs 8.8 billion.

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

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

- (a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
- (b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

8. SECRETARY

The Company's Secretary is Mr Charles Kariuki.

9. TERMS OF APPOINTMENT OF THE AUDITOR

The Auditor General is responsible for the statutory audit of the Corporation's books of account in accordance with Section 48 of the Public Audit Act, 2015. Section 23 of the Act empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Ernst & Young LLP were appointed by the Auditor General, to carry out the audit for the year ended 31 December 2019. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 9,549,240 has been charged to profit or loss in the year.

BY ORDER OF THE BOARD

Secretary



Nairobi

26th March 2020

KENYA REINSURANCE CORPORATION LIMITED
STATEMENT ON CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31st DECEMBER 2019

Corporate governance is the process and structure by which companies are directed, controlled and held accountable in order to achieve long term value to shareholders taking cognisance of the interest of other stakeholders.

The Board of Directors of Kenya Reinsurance Corporation Limited* is responsible for the governance of the Corporation and is accountable to the shareholders and stakeholders in ensuring that the Corporation complies with the laws and regulations and the highest standards of business ethics and corporate governance. Accordingly the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance and CMA guidelines.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined within the Company. The Board comprises of eleven (11) directors ten (10) of whom are non-executive directors including the Chairman. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Company and assumes responsibilities for the effective control over the Company. The Company Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held eight (8) regular and three (3) special meetings during the year under review. As the Company is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

The Board has set up the following principal Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

Audit Committee

The membership of the Audit Committee is comprised as follows:

Anthony Munyao - Chairman
Felix Okatch
Eric Gumbo
Gitonga Mugambi
Thamuda Hassan

The Committee assists the Board in fulfilling its corporate governance responsibilities and in particular to:

- Review of financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.
- Strengthen the effectiveness of the internal audit function.
- Maintain oversight on internal control systems.
- Increase the shareholders' confidence in the credibility and standing of the Company.
- Review and make recommendations regarding the Company's budgets, financial plans and risk management.
- Liaise with the external auditors.

The Committee held four (4) regular meetings and three (3) special meetings in the year under review.

**Where reference is made to the Corporation, the context applies equally to the corporation itself and the group*

Risk and Compliance Committee

The membership of the Risk and Compliance Committee is comprised as follows:

Felix Okatch - Chairman

Maina Mukoma

Eric Gumbo

Anthony Munyao

Jadiah Mwarania

The responsibilities of this Committee include:

Provision of general oversight in risk and compliance matters in the Company.

Ensuring quality, integrity, effectiveness and reliability of the Company's risk management framework.

Setting out the nature, role, responsibility and authority of the risk management and the compliance function of the Company.

Defining the scope of risk management work.

Ensuring that there are adequate risk policies and strategies in place to effectively identify, measure, monitor and appropriately mitigate the various risks which the Company is exposed to from time to time.

Steering the Corporation on best practices on management of Information and technology.

The committee held four (4) regular meetings and one (1) special meetings in the year under review.

Human Resources Committee

The membership of the Human Resources Committee is comprised as follows:

Jennifer Karina - Chairman

Gitonga Mugambi

David Kemei

Thamuda Hassan

Jadiah Mwarania

The Committee reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare.

The Committee held three (3) regular meetings and four (4) special meetings in the year under review.

Finance and Strategy Committee

The membership of the Finance and Strategy Committee is comprised as follows:

Maina Mukoma - Chairman

Jennifer Karina

David Kemei

Jadiah Mwarania

The Committee assists the Board in fulfilling its oversight responsibilities relating to the Company's finance, procurement, investment strategies, reinsurance strategies, policies, projects and related activities.

The Committee held four (4) regular and three (3) special meetings in the year under review.

Risk Management and Internal Controls

The Company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Company. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Company. As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Company to achieve its objectives both in the short and long term.

Creating Shareholders' Value

In order to assure the shareholders of the Company's commitment to activities that create and enhance shareholder value, the Board signs a performance contract with the Ministry of The National Treasury and Planning of the Government of Kenya as well as sets Corporate Performance strategies with Management and continues to perform an annual evaluation exercise to review and audit its role and success or otherwise to meet the challenges envisaged at the beginning of each year.

Directors' Emoluments and Loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2019 are disclosed in the notes to the financial statements under note 41. Non-executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Company's shares. There were no loans advanced to directors during the financial year.

Directors' interests as at 31 December 2019:	Number of shares	Shareholding %
The National Treasury of Kenya	1,680,000,000	60
Jadiah Mwarania	400,000	-
Chiboli Induli Shakaba	1,139,800	-
Jennifer Kabura Karina	223,556	-
Maina Mukoma	6,724	-
David Kibet Kemei	4,252	-
Felix Okatch	400	-
	1,681,774,732	60
Major Shareholders as at 31 December 2019		
The National Treasury of Kenya	1,680,000,000	60
Investments & Mortgages Nominees Ltd A/C 028950	65,411,600	2.34
SSB Bene Universal Investment Gesellschart FD 4942	48,000,000	1.71
Standard Chartered Kenya Nominees Ltd A/C KE22446	37,798,348	1.35
Standard Chartered Kenya Nominees Ltd A/C KE000954	31,501,600	1.13
Kestrel Capital Nominees Ltd A/C Krohne fund	30,592,000	1.09
Stanbic Nominees Ltd A/C NR 1031144	28,916,800	1.03
Kenya Commercial Bank Nominees Ltd A/C 915B	27,671,244	0.99
Kenya Commercial Bank Nominees Ltd A/C 915A	27,187,772	0.97
The Jubilee Insurance Company Ltd	26,656,600	0.95
Standard Chartered Nominees Non -Resd. A/C KE10085	24,000,000	0.86
Standard Chartered Nominees RESD A/C KE11443	22,636,619	0.81
Shah Mansukhal Khetshi Dharanshi Shah Vijayaben Mansukhal Khetshi shah	18,316,300	0.65

KENYA REINSURANCE CORPORATION LIMITED
STATEMENT ON CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 31st DECEMBER 2019

Major Shareholders as at 31 December 2019 (continued)

	Number of shares	Shareholding %
Equity Nominees Limited A/C 00099	14,739,059	0.53
Kestrel Capital Nominees Ltd A/C 009	12,046,600	0.43
Standard Chartered Nominees RESD A/C KE11450	10,737,912	0.38
Standard Chartered Kenya Nominees Ltd A/C KE002749	9,334,080	0.33
Standard Chartered Kenya Nominees Ltd A/C KE002262	9,156,080	0.33
Stanbic Nominees Ltd A/C NR 1031142	8,969,406	0.32
Standard Chartered Kenya Nominees Ltd A/C 1700	8,000,000	0.29
Others	658,124,252	23.51
	2,799,796,272	100

The distribution of the Company's shareholding as at 31 December 2019 is as shown below:

Shares Range	Shareholders	Number of Shares	% Shareholding
1 - 500	37,118	7,138,545	0.26
501 - 1,000	2,415	1,944,765	0.07
1,001 - 5,000	51,062	103,946,127	3.71
5,001 - 10,000	7,266	48,195,417	1.72
10,001 - 50,000	3,934	79,584,187	2.84
50,001 - 100,000	512	35,568,519	1.27
100,001 - 500,000	406	89,847,124	3.21
500,001 - 1,000,000	75	55,687,303	1.99
1,000,001 - 2,000,000,000	102	2,377,884,285	84.93
	102,890	2,799,796,272	100

The distribution of the shareholders based on their nationalities as at 31 December 2019 is as follows:

Nationality	Shareholders	Shares held	% Shareholding
Local Individual Investors	97,000	382,085,449	13.65
Local Institutional Investors	5,419	2,212,153,341	79.01
Foreign Investors	471	205,557,482	7.34
	109,890	2,799,796,272	100.00

Directors' interests and shareholding as at 31 December 2018:

	Number of shares	Shareholding %
The National Treasury of Kenya	420,000,000	60
Jadiah Mwarania	100,000	-
Chiboli Induli Shakaba	75,403	-
Jennifer Kabura Karina	55,889	-
Maina Mukoma	1,681	-
David Kibet Kemei	1,063	-
Felix Okatch	100	-
	420,234,136	60

KENYA REINSURANCE CORPORATION LIMITED
STATEMENT ON CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 31st DECEMBER 2019


Major Shareholders as at 31 December 2018 :	Number of shares	Shareholding %
The National Treasury of Kenya	420,000,000	60
Standard Chartered Kenya Nominees Ltd A/C KE22446	25,399,670	3.63
Stanbic Nominees Ltd A/C NR 1031141	17,094,400	2.44
Standard Chartered Kenya Nominees Ltd A/C KE002382	8,720,500	1.25
Stanbic Nominees Ltd A/C NR 1031144	7,940,600	1.13
Investments & Mortgages Nominees Ltd A/C 028950	7,666,488	1.1
Kestrel Capital Nominees Ltd A/C Krohne fund	7,000,000	1
Kenya Commercial Bank Nominees Ltd A/C 915B	6,917,811	0.99
Kenya Commercial Bank Nominees Ltd A/C 915A	6,796,943	0.97
Standard Chartered Nominees Non -Resd. A/C KE10085	6,000,000	0.86
Others	186,412,656	26.63
	699,949,068	100

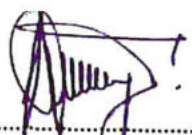
The distribution of the Company's shareholding as at 31 December 2018 is as shown below:

Shares Range	Shareholders	Number of Shares	% Shareholding
1 - 500	73,685	15,620,843	2.23
501 - 1,000	14,511	10,161,418	1.45
1,001 - 5,000	11,842	22,720,483	3.25
5,001 - 10,000	1,143	8,005,130	1.14
10,001 - 50,000	967	19,406,084	2.77
50,001 - 100,000	111	7,839,551	1.12
100,001 - 500,000	125	25,513,914	3.65
500,001 - 1,000,000	30	20,681,559	2.95
1,000,000 - 2,000,000,000	32	570,000,086	81.44
	102,446	699,949,068	100

The distribution of the shareholders based on their nationalities as at 31 December 2018 is as follows:

Nationality	Shareholders	Shares held	% Shareholding
Local Individual Investors	96,411	84,091,098	12.01
Local Institutional Investors	5,539	518,862,061	74.13
Foreign Investors	496	96,995,909	13.86
	102,446	699,949,068	100.00


 Chiboli Shakaba
 Director
 26 March 2020


 Anthony Muryao
 Director

KENYA REINSURANCE CORPORATION LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2019

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

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

- i. designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. selecting suitable accounting policies and applying them consistently; and
- iii. making accounting estimates and judgements that are reasonable in the circumstances.

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

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

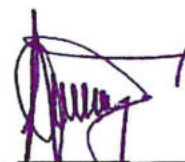
Approved by the board of directors on *26 March* 2020 and signed on its behalf by:



Jadhah Mwarania
Principal Officer



Chiboli Shakaba
Director



Anthony Muthyao
Director

KENYA REINSURANCE CORPORATION LIMITED
REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31st DECEMBER 2019

I have conducted an actuarial valuation of the long term business of Kenya Reinsurance Corporation Limited as at 31 December 2019.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. 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 valuation, I have relied upon the audited financial statements of the Company.

In my opinion, the long term business of the Company was 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 as at 31 December 2019.

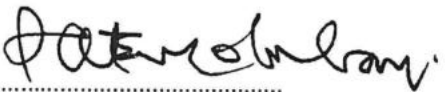
Name of Actuary

JAMES OLUBAYI

Qualification

FELLOW OF THE INSTITUTE OF ACTUARIES

Signed



26 MARCH.....2020

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out on pages 74 to 143, which comprise the consolidated and company statements of financial position as at 31 December, 2019, and the statements of profit or loss and other comprehensive income, statements of cash flows and the statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Ernst and Young LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Reinsurance Corporation Limited as at 31 December, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Kenya Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Reinsurance Corporation Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Tax Assessment by Kenya Revenue Authority (KRA)

As reported in the previous years, I draw attention to Note 43 of the financial statements which describe a contingent liability in relation to tax assessment by the Kenya Revenue Authority (KRA). The Corporation is involved in a tax claim dispute with KRA, arising from KRA's demand of Kshs.1,272,488,000 relating to withholding

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tax on cedant acquisition costs and brokerage fees. The outcome of the contingent tax liability remains uncertain, even though discussions to resolve the contentious matter continue between the Corporation and KRA, with the assistance of professional advisors.

2. Investment Properties in Dispute

As disclosed in Note 42 to the financial statements, the Corporation is the registered owner of the following properties which are currently in dispute and are subject to ongoing court cases.

a) Land LR. No 27269 - Ngong Road

The Corporation invested Kshs.350,000,000 in L.R. No. 27269 measuring approximately 59.87 hectares along Ngong Road which is a subject of dispute between the Corporation and Kenya Forest Service. The dispute of ownership of LR No 27269 is before the National Land Commission. Although the Corporation has obtained confirmation from the Director of Surveys that the Corporation land is distinct from that of Kenya Forest Service, the matter remains unresolved until the National Land Commission adjudicates and provides its verdict. The Corporation may not be realizing the benefits that accrue from ownership of land and the management may not be in a position to make long term investment plans.

b) Land LR No.12236 Kiambu Road

The Corporation is the registered owner of land LR No.12236 of approximately 99.5813 hectares along Kiambu Road valued at Kshs.563,077,000. The Corporation is in dispute with one of the directors of the vendor of the land and the case is in court. The Corporation is therefore, not realizing the full value of funds invested in the property.

c) Land LR MN-1-9141- Shanzu Mombasa

The Corporation is the registered owner of land LR MN-1-9141 of approximately 17.3 hectares located at Shanzu Mombasa valued at Kshs.23,000,000. The Corporation is in dispute with the Kenya Prisons Department and the case is in court. The Corporation is therefore, not realizing the full value of funds invested in the property.

3. Investment Property not in Use

As disclosed in Note 18 to the financial statements, the Corporation is the registered owner of land LR No.9042/222 within the precincts of Jomo Kenyatta International Airport (JKIA) valued at Kshs.700,000,000 as at 31 December, 2019. However, management has disclosed that it has restricted access to the land as imposed by the Kenya Airports Authority (KAA) mainly due to security reasons. The Corporation is therefore, not realising the full potential of the investment.

4. Lack of Payables Ageing Analysis

The Corporation's consolidated statement of financial position reflects Kshs.1,807,874,000 being the balance of payables arising out of reinsurance arrangements which, as disclosed under Note 35 to the financial statements, comprise of Kshs.397,870,000 and Kshs.1,410,004,000 owed to local and international companies respectively. However, the accounts payable module cannot generate an ageing analysis report for the payables. Consequently, errors and irregularities, if any, in supplier balances may not be detected and corrected on a timely basis.

Key Audit Matters

No.	Key Audit Matter	How our Audit addressed the Key Audit Matter
1.	<p>Reinsurance Contract Liabilities</p> <p>The valuation of the Group's reinsurance contracts is dependent on a number of subjective assumptions about future experience as disclosed in Notes 2, 35 and 36 to the Group and Company Financial Statements. Some of the economic and non-economic actuarial assumptions used in valuing insurance contracts are judgemental, in particular persistency (the retention of policies over time), longevity (the expectation of how long an annuity policyholder will live and how that might change over time), expenses (future expenses incurred to maintain existing policies to maturity).</p> <p>The Group uses external actuaries to value both the life and non-life reinsurance contract liabilities. This matter was considered significant to the audit because of the sensitivity of the valuation of the reinsurance contract liabilities to changes in the key assumptions.</p> <p>I also considered there to be a risk that the disclosures in Notes 2, 34 and 35 to the consolidated and company financial statements, which are significant to the</p>	<p>The audit procedures included the following:</p> <ul style="list-style-type: none"> • Testing, on a sample basis, the key controls around the processes for analysing the economic and noneconomic assumptions used in the valuation of the reinsurance contract liabilities. • Using our actuarial specialists, assessing the appropriateness of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our audit procedures on the liability adequacy testing included reviewing the assumptions adopted in the context of both the group and industry experience and specific product features. • Considering recent experience and the reasonableness of the judgements applied by management on how future experience will evolve. • Assessing the completeness of the disclosures regarding the reinsurance contract liabilities in the group and company financial statements.

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No.	Key Audit Matter	How our Audit addressed the Key Audit Matter
	understanding of the Group's reinsurance contract liabilities, are not complete.	
2.	Revenue Recognition - Premiums Income and Un-earned Premium Reserves	
	<p>The Group's business involves underwriting policies with tenure that do not align with the reporting period. The group has estimated unearned premium reserves as disclosed in Note 38 to the Group and Company Financial Statements using a rate of 40% of the written premiums to defer premium income written but not earned during the reporting period. I considered this to be a key audit matter since the Group's financial results are significantly sensitive to changes in this assumption.</p> <p>I also considered there to be a risk that revenue is inappropriately reported to achieve desired financial results. I assessed that the opportunity to manipulate revenue creates a heightened risk in the area of recording premium income in the improper period by not observing proper cut off procedures.</p>	<p>The audit approach included controls testing and substantive procedures covering, in particular:</p> <ul style="list-style-type: none"> • Testing, on a sample basis, key controls over the underwriting process. • Performing an analysis of premium income and unearned premiums based on the industry knowledge and forming an expectation of revenue based on key performance indicators considering changes in the group's business. • Reviewing supporting documentation for premium income on a sample basis. • Checking that adjustments to premium income after year-end were supported and processed in the correct period. • Involving actuarial specialists in checking whether the assumptions used to determine the un-earned premium reserves were supported.
3.	Valuation of Investment Property	
	<p>As at 31 December, 2019, the carrying amount of the Group's investment property was Kshs.12.080 billion as disclosed in note 18 to the Group and Company Financial Statements.</p> <p>The investment property is measured at fair value in accordance with International Accounting Standard (IAS) 40 Investment Property. The group's</p>	<p>The audit procedures included the following:</p> <ul style="list-style-type: none"> • Evaluating the objectivity and independence of the external valuer. • Assessing whether the underlying assumptions applied in the determination of the fair value were supported in the context of the industry and nature of the investment property.

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No.	Key Audit Matter	How our Audit addressed the Key Audit Matter
	<p>policy is to revalue the investment property annually using an external valuer. The basis adopted in the valuation of investment property was open market value based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.</p> <p>Given that the fair value of investment property involves significant estimation and assumptions, such as comparative active market prices and adjustments for differences in the nature, location or condition of the property, and the importance of the disclosures in Notes 3(ii) and 18 relating to the assumptions used in the valuation, I considered this as a key audit matter.</p>	<ul style="list-style-type: none"> • Assessing whether the valuation methodologies and assumptions adopted in determining the fair values of the investment property were in accordance with IFRS. • Evaluating whether the determined fair values were comparable to the market values for similar property in similar locations. • Assessing the adequacy of the group's disclosures in respect of the methodology and assumptions used in valuation.
4.	Credit Risk and Impairment of Reinsurance Receivables Balances	
	<p>Impairment of receivables is a subjective area due to the significant judgement and assumptions applied by management. The estimation of impaired receivables is made based on review of outstanding amounts at year-end.</p> <p>As disclosed in Note 2, to the consolidated and company financial statements, judgement is applied in determining the appropriate parameters and assumptions used to calculate impairment of the receivables. For example, the assumptions of customers that will default, the expected future cash flows from the customers and the timing of the cash flows.</p> <p>Due to the significance of the reinsurance receivable balances to the consolidated and company financial statements, and the</p>	<p>The audit procedures included the following:</p> <ul style="list-style-type: none"> • Testing and evaluation of controls over the underwriting process, recording and ageing of outstanding reinsurance receivables, and monitoring of the receivables by the Group's credit control department. • Evaluating the adequacy of the allowance for doubtful accounts, including the appropriateness of the methodology used and assumptions made to calculate the allowance. • Testing, on a sample basis, whether the Group's assumptions on the expected future cash flows and timing of the cash flows were supported. • Evaluating whether the disclosures made in the consolidated and company financial statements reflect

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No.	Key Audit Matter	How our Audit addressed the Key Audit Matter
	<p>significant judgement involved in calculating impairment losses on the receivables, particularly regarding the estimation of the amount and timing of expected future cash collections, this was considered a key audit matter.</p> <p>I also considered there to be a risk that the disclosures in Notes 2 and 24 on impairment of receivables are not complete.</p>	<p>the Group's credit risk and impairment provision on the receivables.</p>

Other Information

The Directors are responsible for the other information, which comprises the corporate report, report of the directors, statement of Directors' responsibilities and Director's remuneration report as required by the Kenya Companies Act, 2015, statement of corporate governance and the report of the consulting actuary. The other information does not include the Corporation's financial statements and my audit report thereon.

My opinion on the Corporation's financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan to perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities

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that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND OVERALL GOVERNANCE

Conclusion

As required by Section 7(1) of the Public Audit Act, 2015 based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Corporation, so far as appears from my examination of those records; and,
- iii. The Corporation's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, management is responsible for assessing the Corporation'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 management either intends to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

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Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provision of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Directors are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Corporation monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 220(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation

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to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's 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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Corporation or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all

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relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

14 August, 2020

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NAIROBI

Kuboresha Uwajibikaji

RIPOTI YA MKAGUZI MKUU WA FEDHA KWA SHIRIKA LA KENYA REINSURANCE LIMITED YA MWAKA ULIOKAMILIKIA TAREHE 31 DESEMBA, 2019

RIPOTI KUHUSU TAARIFA ZA KIFEDHA

Maoni

Taarifa za kifedha zilizoambatishwa za Shirika la Kenya Reinsurance Limited zilizobainishwa katika ukurasa wa 21 hadi 92, ambazo ni pamoja na taarifa zilizojumuishwa na za kampuni kuhusu nafasi ya kifedha kufikia tarehe 31 Desemba, 2019 na taarifa za faida na hasara na mapato mengine ya kina, taarifa kuhusu mzunguko wa pesa na taarifa kuhusu mabadiliko katika hisa za mwaka ambao uliisha wakati huo, na muhtasari wa sera muhimu za uhasibu na taarifa nyingine za ufafanuzi, zimefanyiwa ukaguzi kwa niaba yangu na Ernst and Young LLP, wakaguzi walioteuliwa chini ya Sehemu ya 23 ya Sheria ya Ukaguzi wa Umma 2015, wakaguzi wamenipa ripoti ya matokeo ya ukaguzi wao na kwa msingi wa ripoti yao, Nimeridhika kwamba taarifa na maelezo yote ambayo kwa maarifa na imani yangu yalikuwa muhimu kwa lengo la ukaguzi yalipatikana.

Kwa maoni yangu, taarifa hii ya kifedha inawakilishwa kwa usawa kwa vigezo vyote, nafasi ya kifedha ya Shirika la Kenya Reinsurance Limited kufikia tarehe 31 Disemba 2019 na ya utendaji wake wa kifedha na mtiririko wake wa pesa kwa mwaka uliokamilika wakati huo, kwa mujibu wa Viwango vya Kimataifa vya Kutoa Ripoti za Kifedha (FRS) na unaambatana na Sheria ya Kampuni za Kenya 2015.

Msingi wa Maoni

Ukaguzi huu ulifanywa kwa mujibu wa Viwango vya Kimataifa vya Taasisi

Kuu za Ukaguzi (ISSAIs). Sina uhusiano na Usimamizi wa Shirika la Kenya Reinsurance Limited kwa mujibu wa ISSAI 130 kuhusu Vigezo vya Maadili. Nimetimiza majukumu mengine ya kimaadili kwa mujibu wa ISSAI na kwa mujibu wa mahitaji mengine ya kimaadili yanayotumika katika kuendesha ukaguzi wa taarifa za kifedha nchini Kenya. Ninaamini kwamba ushahidi wa ukaguzi ambao nimeupata ni toshelevu na unafaa katika kutoa msingi wa maoni yangu.

Msisitizo wa Suala Zima

1. Tathmini ya Ushuru na Mamlaka ya Ushuru ya Kenya (KRA)

Ilivyoripotiwa katika miaka ya nyuma, ninakufahamisheni kuhusu Kidokezo cha 43 cha taarifa za kifedha kinachofafanua dhima zinazoweza kupatikana kwa kutegemea matokeo yasiyotabirika ya siku za usoni kuhusiana na tathmini ya ushuru na Mamlaka Ushuru ya Kenya (KRA). Shirika limehusika katika mzozo wa dai la ushuru na KRA, linalotokana na hali kwamba KRA inataka Kshs, 1272,488,000 kuhusiana na kushikilia ushuru kwenye gharama za kutwaliwa kwa kampuni nyingine na ada za ushuru wa dalali. Matokeo ya dhima ya ushuru unaopatikana kwa kutegemea hali zisizotabirika unasalia kutotabirika, ingawa mijadala ya kutatua suala hili tete ikiendelea kati ya Shirika na KRA, kwa usaidizi wa washauri wa kitaalamu.

2. Mali ya Uwekezaji Inayozaniwa

Ilivyofichuliwa kwenye Kidokezo cha 42 cha taarifa za kifedha, Shirika ndilo mmiliki aliyesajiliwa wa mali ambayo kwa sasa inazozaniwa na kesi zinazozihusu zinaendelea mahakamani.

a) Ardhi I-R. Nambari 27269 - Barabara ya Ngong

Shirika liliwekeza Kshs. 350,000,000 kwenye Ardhi L.R. Nambari 27269 yenye vipimo vya takriban ekari 59,87 katika Barabara ya Ngong ambayo inazozaniwa kati ya Shirika na Huduma ya Misitu ya Kenya. Mzozo wa umiliki wa ardhi nambari I-R No 27269 unasikilizwa na Tume ya Kitaifa ya Ardhi. Ingawa Shirika limepata thibitisho kutoka kwa Mkurugenzi wa Usoroveya kwamba ardhi ya Shirika ni tofauti na ile ya Huduma ya Misitu ya Kenya, suala hilo linasalia kutotatuliwa hadi Tume ya Kitaifa ya Ardhi isikilize na itoe uamuzi wake. Huenda Shirika lisiweze kupata manufaa yanayotokana na umiliki wa ardhi na usimamizi huenda usiwe na fursa ya kuweka mipango ya uwekezaji wa muda mrefu.

b) Ardhi I-R Nambari 12236 Barabara ya Kiambu

Shirika ndilo mmiliki aliyesajiliwa wa ardhi I-R Nambari 12236 ya takriban ekari 99.5813 iliyo katika Barabara ya Kiambu yenye thamani ya Kshs. 563,077,000. Shirika lina mzozo na mmoja wa wakurugenzi wa shirika lililouza ardhi na kesi hiyo iko mahakamani. Kwa hivyo Shirika halipati thamani kamili ya fedha zilizowekezwa katika mali hiyo.

c) Ardhi I-R MN-1-9141- Shanzu Mombasa

Shirika ndilo mmiliki aliyesajiliwa wa ardhi I-R MN-I -9141 ya takriban ekari 17.3 iliyo eneo la Shanzu Mombasa yenye thamani ya Kshs.23,000,000 Shirika lina mzozo na Idara ya Magereza ya Kenya na kesi hiyo iko mahakamani. Kwa hivyo Shirika halipati thamani kamili ya fedha zilizowekezwa katika mali hiyo.

3. Mali ya Uwekezaji ambayo Haitumiki

Ilivyofichuliwa katika Kidokezo cha 18 kwenye taarifa za kifedha, Shirika ndilo mmiliki aliyesajiliwa wa ardhi LR Nambari 9042/222 ndani ya Uwanja wa Ndege wa Jomo Kenyatta (JKIA) yenye thamani ya Kshs.700,000,000 kufikia tarehe 31 Disemba, 2019. Hata hivyo, usimamizi umefichua kwamba umeweka vikwazo vya ufikiaji wa ardhi hiyo kama vilivyowekwa na Mamlaka ya Uwanja wa Ndege nchini (KAA) hasa kwa sababu za kiusalama. Kwa hivyo Shirika halinufaiki kikamillifu kutokana na uwekezaji huo.

4. Ukosefu wa Uchanganuzi wa Madeni Yanayostahili Kulipwa kwa Wengine

Taarifa iliyojumuishwa ya Shirika ya nafasi ya kifedha inaakisi Kshs.1,807,874,000 kuwa salio la madeni yanayotokana na mipango ya utoaji bima kwa kampuni nyingine ambayo, ilivyofichuliwa chini ya Kidokezo cha 35 kwenye taarifa za kifedha, ni pamoja na Kshs.397,870,000 na Kshs.410,004,000 zinazodaiwa na kampuni za ndani za kimataifa mtawalia. Hata hivyo, utaratibu wa pesa zinazodaiwa akaunti hauwezi kuzalisha ripoti ya uchanganuzi kwa ajili ya madeni yanayodaiwa. Kutokana na hayo, hitilafu na ukiukaji, ikiwa kunayo, katika masalio ya wasambazaji huenda zisigunduliwe na kusahihishwa kwa msingi wa wakati ufaao.

Masuala Makuu ya Ukaguzi

Nambari.	Suala Kuu la Ukaguzi	Jinsi ya Mkaguzi wetu alivyoshughulikia Suala Kuu la Ukaguzi
1.	Dhima za Kandarasi za Utoaji Bima kwa Kampuni nyingine	
	<p>Thamani ya kandarasi za Kikundi za utoaji bima kwa kampuni nyingine inategemea mawazo yasiyo yakinifu kuhusu hali ya siku ya za usoni ilivyofichuliwa katika Kidokezo cha 2, 35 na 36 kwenye Taarifa za Kifedha za Kikundi na Kampuni. Baadhi ya mawazo ya utarakimu bima ya kiuchumi na yasiyo ya kiuchumi yanayotumika kuthamini kandarasi za bima ni ya kuhukumu, hasa kudumu (ubakishaji wa sera kwa muda fulani), ustahimivu (matarajio ya muda ambao mwenye sera atalipia malipo ya bima atasalia na jinsi hii inavyoweza kubadilika baada ya muda fulani), gharama (gharama za siku zijazo zilipatikana ili kudumisha sera zilizopo hadi ukomavu wake).</p> <p>Kikundi kinatumia watarakimu bima wa nje kutathmini dhima za kandarasi za utoaji bima za maisha na zisizo za maisha kwa kampuni nyingine za bima. Suala hili lilizingatiwa kuwa muhimu katika ukaguzi kwa sababu ya umuhimu wake katika kutathmini dhima za kandarasi za utoaji bima kwa kampuni nyingine kwenye mabadiliko katika mawazo muhimu.</p> <p>Pia nilizingatia kuwepo kwa hatari ambayo ufichuzi katika Dokezo la 2, 34 na 35 kwenye taarifa zilizojumuishwa na za kampuni za kifedha, ambayo ni muhimu kwa kuelewa dhima za Kikundi za utoaji bima kwa kampuni nyingine, si kamilifu.</p>	<p>Taratibu za ukaguzi zilijumuisha zifuatazo:</p> <p>Kujaribu, kwa msingi wa sampuli, vidhibiti vikuu vinavyohusu michakato ya kuchanganua mawazo ya kiuchumi na yasiyo ya kiuchumi vinavyotumika katika kutathmini thamani ya dhima za kandarasi ya utoaji bima kwa kampuni nyingine za bima.</p> <p>Kwa kutumia wataalamu wa tarakimu bima, kutathmini ufaafu wa jaribio la usimamizi la utoshelevu wa dhima ambalo ni jaribio muhimu linalofanywa kuchunguza kwamba dhima ni toshelevu ikilinganishwa na wajibu wa kikandarasi unaotarajiwa siku zijazo. Taratibu zetu za ukaguzi kuhusu kujaribu utoshelevu wa dhima zilijumuisha ukaguzi wa mawazo yaliyotumika katika muktadha wa tajriba ya kikundi pamoja na sekta na vipengele mahususi vya bidhaa.</p> <p>Kuzingatia hali ya hivi majuzi na maana ya maamuzi yaliyotekelezwa na usimamizi kuhusu jinsi hali za siku zijazo zitabadilika.</p> <p>Kutathmini ukamilifu wa ufichuzi unaohusiana na dhima za kandarasi za utoaji bima kwa kampuni nyingine kwenye taarifa za kifedha za kikundi na kampuni.</p>

Nambari.	Suala Kuu la Ukaguzi	Jinsi ya Mkaguzi wetu alivyoshughulikia Suala Kuu la Ukaguzi
2.	Utambuzi wa Mapato - Mapato ya Malipo na Akiba za Malipo Yanayolingana na Muda Uliobaki wa Sera	
	<p>Shughuli ya kikundi inahusisha kubaini sera zilizo na kipindi ambacho hakioani na muda wa kutoa ripoti. Kikundi kimekadiria akiba za malipo yanayolingana na muda uliobaki wa sera kama ilivyofichuliwa katika Dokezo la 38 kwenye Taarifa ya Kifedha za Kikundi na Kampuni kwa kutumia kiwango cha 40% cha jumla ya malipo yanayotarajiwa kuahirisha mapato kutokana na jumla ya malipo lakini sio malipo kutokana na sehemu ya sera ambayo imeisha muda katika kipindi cha kuripoti. Nilizingatia hili kuwa suala kuu la ukaguzi kwa sababu matokeo ya kifedha ya Kikundi ni muhimu sana kwenye mabadiliko katika wazo hili.</p> <p>Pia nilizingatia kwamba kunaaweza kuwa na hatari ya mapato kutoripotiwa ifaavyo ili kufikia matokeo yanayolengwa ya kifedha. Nilitathmini kwamba fursa ya kukarabati mapato inayoweka hatari ya juu katika upande wa kurekodi mapato kutokana na malipo katika kipindi kisichofaa kwa kutozingatia taratibu zifaazo za viwango.</p>	<p>Mwelekeo wa ukaguzi ulijumuisha jaribio la vidhibiti na kushughulikia taratibu thabiti, hasa:</p> <p>Kujaribu, kwa msingi wa sampuli, vidhibiti vikuu kwenye mchakato wa kutoa bima.</p> <p>Kuendesha uchanganuzi wa mapato kutokana na malipo na malipo yanayolingana na muda uliobaki wa sera kulingana na maarifa ya sekta na kuunda matarajio ya mapato kulingana na viashiria vikuu vya utendaji kwa kuzingatia mabadiliko katika shughuli ya kikundi.</p> <p>Kukagua hati za ushahidi kwa mapato yanayotokana na malipo kwa msingi wa sampuli.</p> <p>Kuangalia kwamba marekebisho kwenye mapato yanayotokana na malipo baada ya mwaka kuisha yalitolewa ushahidi na kuchakatwa katika kipindi kifaacho.</p> <p>Kuwahusisha wataalamu wa tarakimu bima katika kuchunguza ikiwa mawazo yaliyotumika kubaini akiba za malipo yanayotokana na muda uliobaki wa sera yalitolewa ushahidi.</p>
3.	Kutoa Thamani ya Mali ya Uwekezaji	
	<p>Kufikia tarehe 31 Desemba 2019, kiasi cha thamani ya mali baada ya kuondoa kiwango cha kushuka kwa thamani cha mali ya uwekezaji wa Kikundi kilikuwa bilioni Kshs.12.080 kama ilivyofichuliwa kwenye kidokezo cha 18 kwenye Taarifa ya Kifedha ya Kikundi na Kampuni.</p> <p>Mali ya uwekezaji inakadiriwa kwa thamani sawa kwa mujibu wa Viwango vya Kimataifa vya Uhasibu (IAS) 40</p> <p>Mali ya Uwekezaji. Kikundi sera ya Kikundi ni kutoa thamani mpya ya mali ya uwekezaji kila mwaka kwa kutumia mkadiriaji thamani kutoka nje. Msingi unaotekelezwa katika utoaji thamani ya mali ya uwekezaji ulikuwa thamani ya soko huru kulingana na bei zilizopo katika soko, zilizorekebishwa pakubwa kwa ajili ya tofauti katika asili, mahali au hali ya mali husika.</p> <p>Kwa kuwa thamani sawa ya mali ya uwekezaji inahusisha makadirio na mawazo muhimu, kama vile bei linganifu zilizopo za soko na marekebisho katika tofauti za asili, mahali au hali ya mali na umuhimu wa ufichuzi katika Vidokezo vya 3(ii) na 18 unaohusiana na mawazo yaliyotumika katika utoaji thamani, Nilizingatia hili kuwa suala kuu la ukaguzi.</p>	<p>Taratibu za ukaguzi zilijumuisha zifuatazo:</p> <p>Kutathmini uyakinifu na uhuru wa mkadiriaji thamani wa nje.</p> <p>Kutathmini iwapo mawazo yaliyopo yalitumika katika kubaini thamani sawa yalitolewa ushahidi katika muktadha wa sekta na hali ya mali ya uwekezaji Kutathmini ikiwa mbinu na mawazo yaliyotumika kukadiria thamani ili kubaini thamani sawa za mali ya uwekezaji yalikuwa yakilingana na FRS.</p> <p>Kutathmini iwapo thamani sawa zilizobainishwa zilikuwa llinganifu na thamani ya soko kwa mali sawa katika maeneo sawa.</p> <p>Kutathmini ufichuzi wa kikundi kuhusiana na mbinu na mawazo yaliyotumika kufanya makadirio ya thamani.</p>

4.	Hatari ya Mikopo na Ukarabati wa Masalio Yanayotarajiwa kupokewa ya Utoaji Bima kwa Kampuni Nyingine za Bima
	<p>Ukarabati wa masalio yanayotarajiwa ni sehemu isiyo yakinifu kutokana na uamuzi na mawazo muhimu ambayo usimamizi hutumia. Makadirio ya masalio yaliyokarabatiwa yanafanywa kulingana na ukaguzi wa kiasi ambacho hakijapokewa kufikia mwishoni mwa mwaka.</p> <p>Kama ilivyofichuliwa katika Kidokezo cha 2, kwenye taarifa zilizojumuishwa na za kampuni, uamuzi unatumika katika kubaini vigezo vifaavyo na mawazo yaliyotumika kuhesabu ukarabati wa masalio yanayotarajiwa. Kwa mfano, mawazo kuhusu wateja ambao watakosa kulipa kwa muda, mitiririko inayotarajiwa ya fedha siku za usoni kutoka kwa wateja na muda wa mitiririko hiyo ya fedha.</p> <p>Kutokana na umuhimu wa masalio yanayotarajiwa ya utoaji bima kwa kampuni nyingine za bima kwenye taarifa za kifedha zilizojumuishwa na za kampuni, na uamuzi muhimu unaohusishwa katika kupiga hesabu ya hasara za ukarabati kwenye masalio yanayotarajiwa, hasa kuhusiana na ukadiriaji wa kiasi na muda unaotarajiwa wa ukusanyaji wa fedha siku za usoni, hili lilizingatiwa kuwa suala kuu la ukaguzi.</p> <p>Pia nilizingatia kuwa kunaweza kuwepo hatari kwamba ufichuzi kwenye Kidokezo cha 2 na 24 kuhusu ukarabati wa masalio yanayotarajiwa si kamilifu.</p> <p>Taratibu za ukaguzi zilizumuisha zifuatazo: Kujaribu na kutathmini vidhibiti kwenye mchakato wa utoaji bima, kurekodi na ripoti ya orodha ya wateja ambao hawajalipwa, na ufuatiliaji wa masalio yanayotarajiwa na idara ya udhibiti wa mikopo ya Kikundi. Kutathmini utoshelevu wa marupurupu kwa akaunti zinazotiliwa shaka, ikiwa ni pamoja na ufaafu wa mbinu zilizotumika na mawazo yaliyotolewa kupiga hesabu ya marupurupu. Kujaribu, kwa msingi wa sampuli, ikiwa mawazo ya Kikundi kuhusu mitiririko inayotarajiwa ya fedha na muda wa mitiririko ya fedha ulitolewa ushahidi. Kutathmini iwapo ufichuzi ulitolewa katika taarifa za kifedha zilizojumuishwa na za kampuni unaakisi Hatari ya mikopo na toleo kuhusum a s a l i o yanayotarajiwa ya Kikundi.</p>

Taarifa Nyingine

Wakurugenzi watendaji wanawajibikia taarifa nyingine, ambayo ni pamoja na ripoti ya shirika, ripoti ya wakurugenzi watendaji, taarifa ya majukumu ya Wakurugenzi watendaji na ripoti ya malipo ya mshahara kwa Wakurugenzi watendaji kama inavyohitajika na Sheria ya Kampuni ya Kenya 2015, taarifa ya utawala wa ushirika na ripoti ya kampuni inayotoa huduma ya tarakimu bima. Taarifa nyingine hajumuishi taarifa za kifedha za Shirika na ripoti yangu ya ukaguzi hapo ndani.

Maoni yangu kuhusu taarifa ya kifedha ya Shirika hayajashughulikia taarifa hiyo nyingine na sitoi hitimisho la aina yoyote la hakikisho hapo ndani.

Kuhusiana na ukaguzi wangu wa taarifa za kifedha za Shirika, wajibu wangu ni kusoma taarifa ile nyingine na, kwa kufanya hivyo, kuzingatia iwapo taarifa hiyo nyingine inaambatana na taarifa ya kifedha ya Shirika au maarifa niliyopata katika ukaguzi, au vinginevyo maudhui yake yanaonekana kutolewa kimakosa. Ikiwa, kwa msingi wa kazi ambayo nimefanya, nitahitimisha kwamba kuna makosa ya maudhui katika taarifa hii nyingine, ninahitajika kuripoti ukweli huo. Sina chochote cha kuripoti kuhusiana na suala hilo.

RIPOTI KUHUSU HAKI NA UFANISI WA KUTUMIA RASILIMALI ZA UMMAM

Hitimisho

Inavyohitajika na Kifungu cha 229(6) cha Katiba, kulingana na taratibu za ukaguzi zilizofanywa, ninathibitishwa kwamba, hakuna chochote kinachoweza kunifanya kuamini kuwa rasilimali za umma hazijatumika kwa kujibu wa sheria na kwa ufanisi.

Msingi wa Hitimisho

Ukaguzi ulifanywa kwa mujibu wa ISSAI 4000. Viwango vinahitaji kuwa nitii matakwa ya kimaadili na kupanga kuendesha ukaguzi ili kupata uhakika kuhusu iwapo shughuli, miamala na taarifa ya kifedha zilizoakisiwa kwenye taarifa ya kifedha zinatii kanuni za mamalaka

zinazozitawala. Ninaamini kuwa ushahidi wa ukaguzi ambao nimeupata ni toshelevu na unafaa kuweka msingi wa hitimisho langu.

RIPOTI KUHUSU UFANISI WA VIDHIBITI VYA NDANI, UDHIBITI WA HATARI NA UTAWALA KIJUMLA

Hitimisho

Inavyohitajika na Sehemu ya 7(1) ya Sheria ya Ukaguzi wa Umma, 2015 kulingana na taratibu za ukaguzi vilizofanywa, ninathibitisha kwamba, hakuna chochote kinachoweza kunifanya kuamini kuwa vidhibiti vya ndani, udhibiti wa hatari na utawala kwa jumla haukufanya kazi kwa ufanisi.

Msingi wa Hitimisho

Ukaguzi ulifanywa kwa mujibu wa ISSAI 2315 na ISSAI 2330. Viwango vinahitaji kwamba nipange na kuendesha ukaguzi ili kupata uhakika kuhusu iwapo michakato faafu na mifumo ya udhibiti wa ndani, udhibiti wa hatari na utawala kwa jumla ilikuwa ikifanya kazi kwa ufanisi, kuhusiana na vigezo vyote vya kimaudhui. Ninaamini kuwa ushahidi wa ukaguzi ambao nimeupata ni toshelevu na unafaa kuweka msingi wa hitimisho langu.

RIPOTI KUHUSU MATAKWA MENGINE YA KISHERIA NA UDHIBITI

Inavyohitajika na Sheria ya Kampuni za Kenya 2015, kwa msingi wa ukaguzi wangu, ninaripoti kwamba:

- i. Nimepokea taarifa na ufafanuzi wote ambao kwa maarifa na imani yangu, ulikuwa muhimu kwa madhumuni ya ukaguzi huu;
- ii. Kwa maoni yangu, Shirika limehifadhi rekodi toshelevu za uhasibu, kufikia sasa ilivyo katika uchunguzi wangu wa rekodi hizo; na,

iii. Taarifa za kifedha za Shirika zinaoana na rekodi za uhasibu na faida au hasara.

Wajibu wa Usimamizi na Bodi ya Watendaji

Usimamizi unawajibu wa kutayarisha na kuwasilisha taarifa hizi za kifedha kwa usawa kulingana na Viwango vya Kimataifa vya Kuripoti kuhusu Fedha na kwa kudumisha udhibiti wa kindani ambao usimamizi utabaini kuwa ni muhimu kuwezesha utayarishaji wa taarifa za kifedha ambazo hazina makosa kimaudhui, iwe ni kutokana na ulaghai au kosa na kwa tathmini yake ya ufanisi wa udhibiti wa ndani, udhibiti wa hatari na utawala kijumla.

Katika kutayarisha taarifa za kifedha, usimamizi unawajibu wa kutathmini uwezo wa Shirika kuendeleza oparesheni kikawaida, ufichuzi, inavyotumika, masuala yanayohusiana na oparesheni za kawaida na kutumia oparesheni za kawaida kama msingi wa uhasibu isipokuwa ikiwa usimamizi ama inanuia kuuza mali ya Shirika au kusitisha oparesheni au ikiwa utakosa uhalisia mbadala ila kufanya hivyo.

Usimamizi una jukumu la kuwasilisha taarifa za kifedha kwa Mkaguzi Mkuu kwa mujibu wa Sehemu ya 47 ya Sheria ya Ukaguzi wa Umma, 2015.

Pamoja na jukumu la kutayarisha na kuwasilisha taarifa za kifedha zilizofafanuliwa hapa juu, usimamizi pia una jukumu la kuhakikishwa kwamba shughuli, miamala ya kifedha na taarifa iliyoakisiwa kwenye taarifa za kifedha zinatii mamlaka inayozitawala, na kwamba rasilimali za umma zinatumiwa kwa njia inayofaa.

Watendaji wana jukumu la kusimamia mchakato wa kutoa ripoti za kifedha, ukaguzi wa ufanisi wa jinsi Shirika linavyofuatilia utiifu wa sheria husika na matakwa ya kikanuni, kuhakikisha kwamba mchakato na mifumo inayofaa imewekwa ili kushughulikia wajibu na majukumu muhimu kuhusiana na utawala wa jumla na udhibiti wa hatari, na kuhakikisha utoshelevu na ufanisi wa mazingira ya udhibiti.

Majukumu ya Mkaguzi Mkuu kwa ajili ya Ukaguzi

Malengo ya ukaguzi ni kupata hakikisho lenye maana kuhusu iwapo taarifa za kifedha kwa ujumla hazina makosa ya maudhui, iwe kutokana na ulaghai au kosa, na kutoa ripoti ya ukaguzi inayojumuisha maoni yangu kwa mujibu wa Sehemu ya 48 ya Sheria ya Ukaguzi wa Umma, 2015 na kuwasilisha ripoti ya ukaguzi kwa kufuata Kifungu cha 229(7) cha Katiba ya Kenya. Uhakikisho wenye maana ni uhakikisho wa hali ya juu unaohusu makosa ya kimaudhui, lakini sio hakikisho kwamba ukaguzi uliofanywa kwa mujibu wa ISSAI kila mara utagundua makosa ya maudhui yakiwepo. Makosa yanaweza kutokana na ulaghai au hitilafu na yanazingatiwa kuwa ya maudhui ikiwa, kibinafsi au kwa kujumuishwa, yanaweza kutarajiwa kuchochea maamuzi ya kiuchumi ya watumiaji yanayofanywa kwa msingi wa taarifa za kifedha.

pamoja na ukaguzi wa taarifa za kifedha, ukaguzi wa utiifu unapangwa na kutekelezwa ili kueleza hitimisho kuhusu iwapo, kwa msingi wa maudhui yote, shughuli, miamala ya kifedha na taarifa inayoakisiwa kwenye taarifa za kifedha inatii mamlaka zinazoitawala na kwamba mali ya umma inatumika kwa njia inayofaa, kwa mujibu wa Kifungu cha 229(6) cha Katiba na kuwasilisha ripoti ya ukaguzi kwa kutii Kifungu cha 220(7) cha Katiba.

Isitoshe, katika kupanga na kuendesha ukaguzi wa taarifa za kifedha na utiifu wa ukaguzi, ninazingatia udhibiti wa ndani ili kutoa hakikisho kuhusu ufanisi wa vidhibiti vya ndani, udhibiti wa hatari na mchakato wa jumla ya utawala na mifumo kwa mujibu wa kanuni za Sehemu ya 7(1)(a) ya Sheria ya Ukaguzi wa Umma 2015 na kuwasilisha ripoti ya ukaguzi kwa mujibu wa Kifungu cha 229(7) cha Katiba. Mazingatio yangu ya udhibiti wa ndani huenda yasifichue masuala yote muhimu yanayoweza kuwa ni ya udhaifu kimaudhui chini ya ISSAI. Udhaifu wa kimaudhui ni hali ambapo usanifu au oparesheni ya sehemu moja au zaidi ya udhibiti wa ndani haipunguzi hadi chini kabisa kiwango cha hatari ambayo makosa yanayosababishwa na hitilafu au ulaghai kwenye kiasi ambacho kinaweza kuwa muhimu kuhusiana na taarifa za kifedha zinazofanyiwa ukaguzi na huenda yasigunduliwe ndani ya kipindi kifaacho cha muda na wafanyikazi katika shughuli za kawaida wakifanya kazi walizokabidhiwa.

Kwa sababu ya vuzuizi vyake vilivyomo, udhibiti wa ndani huenda usizuie au kugundua makosa na matukio ya kukosa utiifu. Pia, makadirio ya ufanisi wa tathmini yoyote kwa vipindi vijavyo yanategemea hatari ambayo vidhibiti huenda visikuwe toshelevu kwa sababu ya mabadiliko katika hali au kiwango cha utiifu kwa sera na taratibu kinaweza kudorora.

Kama sehemu ya ukaguzi kwa mujibu wa ISSAI, ninaendesha hukumu kitaalamu na kudumisha tahadhari kitaaluma katika shughuli nzima ya ukaguzi. Pia nina:

- Tambua na kutathmini hatari ya makosa ya kimaudhui ya taarifa za kifedha, iwe ni kutokana na ulaghai au hitilafu, kusanifu na kuendesha taratibu za ukaguzi zinaoana na hatari, na kupata ushahidi wa ukaguzi ambao ni tooshelevu na unaofaa ili kutoa msingi wa maoni yangu. Hatari ya kutogundua makosa ya kimaudhui yanayotokana na ulaghai ni ya juu kuliko ile inayotokana na hitilafu, kwa vile ulaghai unaweza kuhusisha njama, uundaji stakabadhi za uongo, kufungia mambo nje kwa kusudi, kuwakilisha vibaya au kukwepa udhibiti wa ndani.
- Tathmini ufaafu wa sera za uhasibu zinazotumika na maana ya makadiro ya uhasibu na ufichuzi unaohusiana uliotolewa na usimamizi.

- Hitimisho kuhusu ufaafu wa usimamizi kutumia utendakazi wa kawaida kama msingi wa uhasibu na kulingana na ushahidi wa ukaguzi uliopatikana, iwapo upo wasiwasi kimaudhui unaohusiana na matukio au hali zinazoweza kuweka shaka kubwa kuhusu uwezo wa Shirika kuendelea kama biashara ya kawaida. Ninahitimisha kwamba kuna wasiwasi kimaudhui, ninahitajika kuleta makini katika ripoti ya mkaguzi kwenye ufichuzi unaohusiana uliopo kwenye taarifa za kifedha au, ikiwa ufichuzi kama huo si toshelevu, kurekebisha maoni yangu. Mahitimisho yangu yanatokana na ushahidi wa ukaguzi uliopatikana kufikia tarehe nilipotoa ripoti yangu ya ukaguzi. Hata hivyo, matukio au hali za siku zijazo zinaweza kusababisha Shirika kukoma kuendelea kama biashara ya kawaida.
- Tathmini wasilisho kwa jumla, muundo na maudhui ya taarifa za kifedha, jumuisha ufichuzi na iwapo taarifa za kifedha zinawakilisha miamala na matukio yaliyopo kwa njia inayofikia uwasilisho wa haki.
- Pata ushahidi wa kutosha wa ukaguzi unaohusu taarifa za kifedha za Shirika au shughuli za biashara ili kutoa maoni kuhusu taarifa za kifedha.
- Kuendesha taratibu zozote zingine ninazozingatia kuwa ni muhimu katika hali hizo.

Ninawasiliana na usimamizi kuhusiana na, miongoni mwa mambo mengine, upeo uliopangwa na muda wa ukaguzi na matokeo muhimu ya ukaguzi, ikiwa ni pamoja na upungufu muhimu katika udhibiti wa ndani unaotambuliwa wakati wa ukaguzi.

Pia, ninaupa usimamizi taarifa kwamba nimetii matakwa yote muhimu ya kimaadili kuhusiana na uhuru na kuwasiliana nao wote.

mahusiano na masuala mengine ambayo yanaweza kudhaniwa kuwa ya kimsingi kuhusu uhuru wangu na panapohitajika, yanayohusiana na ulinzi.

Kutokana na masuala niliyowasiliana na usimamizi kuyahusu, ninabaini masuala yale ambayo yalikuwa muhimu zaidi katika ukaguzi wa taarifa za kifedha ya kipindi cha sasa na hivyo masuala muhimu ya ukaguzi. Masuala haya yanafafanuliwa kwenye ripoti ya ukaguzi isipokuwa sheria au kanuni itangulize ufichuzi wa umma kuhusu suala hilo au wakati, katika hali isiyo ya kawaida zaidi, nibaini kuwa suala fulani halipaswi kuwasilishwa katika ripoti yangu kwa sababu madhara mabaya ya kufanya hivyo yanatarajiwa kupiku manufaa ya masilahi ya umma ya mawasiliano kama hayo.



Nancy Gathungu

MKAGUZI MKUU WA KIFEDHA

Nairobi

Tarehe 14 Agosti 2020

INFORMATION NOT SUBJECT TO AUDIT

The Corporation's directors' remuneration policy and strategy

The Board establishes and approves formal and transparent remuneration policies to attract and retain both executive and non-executive Board members. These policies clearly stipulate remuneration elements such as directors' fees, honorarium and attendance allowances that are competitive and in line with those of other agencies in the industry.

In accordance with the guidelines provided under the State Corporations Act and by the Salaries and Remuneration Commission as well as shareholder approval granted at the Annual General Meeting; the directors are paid a taxable director's fee at KShs 80,000 for every month served (KShs 960,000 per annum) and a sitting allowance of KShs 20,000 for every meeting attended. The Chairman is also paid a monthly honorarium of KShs 80,000.

Kenya Reinsurance Corporation Limited does not grant personal loans, guarantees, share options or incentives to its non-executive directors. The Managing Director is entitled to such loans as are available to other employees as per the Corporation's human resource policies.

Contract of service

In accordance with the Capital Markets Authority (CMA) regulations on non-executive directors and the Corporation's Articles of Association, a third of the directors retire every year by rotation and subject themselves to election at every Annual General Meeting by the shareholders.

The Managing Director and Chief Executive Officer (CEO) has a five year renewable contract of service with the Corporation starting 12 April 2016.

Changes to directors' remuneration

During the period, there were no changes in directors' remuneration which is set as per the guidelines provided in the State Corporations Act and by the Salaries and Remuneration Commission.

Statement of voting on the directors' remuneration report at the previous Annual General Meeting

During the Annual General Meeting held on 14th June 2019, the shareholders approved directors' remuneration for the year ended 31 December 2018 by show of hands.

At the Annual General Meeting to be held on 9th October 2020, approval will be sought from shareholders of this Directors' remuneration report for the financial year ended 31 December 2019.

KENYA REINSURANCE CORPORATION LIMITED
DIRECTORS' REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31st DECEMBER 2019

INFORMATION SUBJECT TO AUDIT

The following tables show the remuneration for the Managing Director and CEO and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2019 together with the comparative figures for 2018.

YEAR ENDED 31 DECEMBER 2019

DIRECTOR	CATEGORY	GROSS PAYMENTS KShs	DIRECTOR FEES KShs	ALLOWANCES KShs	TOTAL KShs
Chiboli Shakaba	Chairman, Non-Executive	-	960,000	1,395,000	2,355,000
Jadiah Mwarania	Managing Director	28,968,186	-	-	28,968,186
David Kibet Kemei	Non -Executive	-	960,000	1,722,000	2,682,000
Everest Lenjo	Non -Executive	-	437,333	760,000	1,197,333
Felista Seenoi Ngatuny	Non -Executive	-	437,333	760,000	1,197,333
Felix Okatch	Non -Executive	-	960,000	1,080,000	2,040,000
Jennifer Karina	Non -Executive	-	960,000	840,000	1,800,000
Maina Mukoma	Non -Executive	-	960,000	1,180,000	2,140,000
Anthony Muthama Munyao	Non -Executive	-	960,000	1,240,000	2,200,000
Zipporah Kinanga Mogaka	Non -Executive	-	437,333	560,000	997,333
Protus Sigei (alternate to CS Treasury)	Non -Executive	-	-	520,000	520,000
Jasper Mugambi	Non -Executive	-	522,667	300,000	822,667
Thamuda Hassan	Non -Executive	-	522,667	320,000	842,667
Eric Gumbo	Non -Executive	-	522,667	240,000	762,667
Cabinet Secretary - The National Treasury	Non -Executive	-	960,000	-	960,000
TOTAL		28,968,186	9,600,000	10,917,000	49,485,186

KENYA REINSURANCE CORPORATION LIMITED
DIRECTORS' REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31st DECEMBER 2019

INFORMATION SUBJECT TO AUDIT (continued)

YEAR ENDED 31 DECEMBER 2018

YEAR ENDED 31 DECEMBER 2018

DIRECTOR	CATEGORY	GROSS PAYMENTS KShs	DIRECTOR FEES KShs	ALLOWANCES KShs	TOTAL KShs
David Kibet Kemei	Chairman, Non-Executive	-	960,000	2,080,000	3,040,000
Jadiah Mwarania	Managing Director	22,242,000	-	-	22,242,000
Chiboli Shakaba	Non -Executive	-	960,000	1,144,000	2,104,000
Everest Lenjo	Non -Executive	-	960,000	1,562,000	2,522,000
Felista Seenoi Ngatuny	Non -Executive	-	960,000	1,280,000	2,240,000
Felix Okatch	Non -Executive	-	960,000	1,262,000	2,222,000
Jennifer Karina	Non -Executive	-	960,000	1,214,000	2,174,000
Maina Mukoma	Non -Executive	-	960,000	1,626,000	2,586,000
Anthony Muthama Munyao	Non -Executive	-	960,000	1,492,000	2,452,000
Zipporah Kinanga Mogaka	Non -Executive	-	960,000	1,378,000	2,338,000
Protus Sigei (alternate to CS Treasury)	Non -Executive	-	-	1,446,000	1,446,000
Cabinet Secretary - The National Treasury	Non -Executive	-	960,000	-	960,000
TOTAL		22,242,000	9,600,000	14,484,000	46,326,000

Approved by the board of directors on 26th March 2020 and signed on its behalf by:

BY ORDER OF THE



Secretary

Nairobi

26th March 2020

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2019

	Notes	Short term ¹ business 2019 KShs '000	Long term ¹ Business 2019 KShs '000	Total 2019 KShs '000	Total 2018 KShs '000
INCOME					
Gross premiums written	5	15,477,937	2,043,406	17,521,343	14,838,393
Less: change in unearned premiums	38	(913,270)	-	(913,270)	190,991
Less: retrocession premiums	6	(979,053)	(98,402)	(1,077,455)	(823,408)
NET EARNED PREMIUMS	6	13,585,614	1,945,004	15,530,618	14,205,976
Investment income	7	2,866,683	848,013	3,714,696	3,386,177
Commissions recovered	10(a)	25,222	29,520	54,742	41,229
Fair value gains on revaluation of investment properties	18	1,861,315	315,277	2,176,592	397,211
Other income	8	52,969	-	52,969	54,876
Share of associate profits	19	587,444	-	587,444	180,865
TOTAL INCOME		18,979,247	3,137,814	22,117,061	18,266,334
CLAIMS AND POLICY HOLDERS BENEFITS EXPENSES					
Gross claims incurred and policy holder benefits expenses	9	(10,514,875)	(932,846)	(11,447,721)	(9,456,217)
Less: Re-insurers share of claims and policy holder benefits	9	353,755	32,026	385,781	625,967
NET CLAIMS AND BENEFITS		(10,161,120)	(900,820)	(11,061,940)	(8,830,250)
Cedant acquisition costs	10(a)	(3,492,083)	(599,964)	(4,092,047)	(3,890,255)
Operating and other expenses	10(b)	(1,805,137)	(238,315)	(2,043,452)	(2,019,834)
Provision for doubtful receivables	24	(743,428)	-	(743,428)	(424,145)
TOTAL CLAIMS, BENEFITS, AND OTHER EXPENSES		(16,201,768)	(1,739,099)	(17,940,867)	(15,164,484)
PROFIT BEFORE TAX		2,777,479	1,398,715	4,176,194	3,101,850
INCOME TAX EXPENSE	11(a)	(185,346)	(24,469)	(209,815)	(823,568)
PROFIT FOR THE YEAR		2,592,133	1,374,246	3,966,379	2,278,282
OTHER COMPREHENSIVE INCOME					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Share of gain on property revaluation of associate	19	1,812	-	1,812	401
Remeasurement losses on defined benefit plans, net of tax	21	(60,119)	-	(60,119)	(22,305)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Reclassification adjustment relating to available-for-sale financial assets disposed in the year	7	(137,457)	-	(137,457)	(201,532)
Net losses on revaluation of available-for-sale quoted equity instruments	27	(53,952)	-	(53,952)	(328,495)
Net gains on revaluation of available-for-sale government securities	28	69,316	-	69,316	46,896
Share of movement in associate reserves:					
– currency translation	19	7,415	-	7,415	(45,990)
– fair value reserve	19	99,275	-	99,275	35,649
TOTAL OTHER COMPREHENSIVE INCOME		(73,710)	-	(73,710)	(515,376)
TOTAL COMPREHENSIVE INCOME		2,518,423	1,374,246	3,892,669	1,762,906
EARNINGS PER SHARE - basic and diluted	12			2.55	1.46

1 The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	Short term ²	Long term ²	Total	Total
		Business 2019 KShs '000	Business 2019 KShs '000	2019 KShs '000	2018 KShs '000
INCOME					
Gross premiums written	5	14,332,826	2,040,656	16,373,482	14,047,041
Less: change in unearned premiums	38	(836,587)	-	(836,587)	208,661
Less: retrocession premiums	6	(793,553)	(98,402)	(891,955)	(803,958)
NET EARNED PREMIUMS	6	12,702,686	1,942,254	14,644,940	13,451,744
Investment income	7	2,818,516	863,114	3,681,630	3,365,243
Commissions recovered	10(a)	6,327	29,520	35,847	34,421
Fair value gains on revaluation of investment properties	18	1,861,315	315,277	2,176,592	397,211
Other income	8	52,969	-	52,969	54,876
Share of associate profits	19	587,444	-	587,444	180,865
TOTAL INCOME		18,029,257	3,150,165	21,179,422	17,484,360
CLAIMS AND POLICY HOLDERS BENEFITS EXPENSES					
Gross claims incurred and policy holder benefits expenses	9	(10,123,244)	(929,998)	(11,053,242)	(9,167,627)
Less: Re-insurers share of claims and policy holder benefits	9	353,755	32,026	385,781	625,967
NET CLAIMS AND BENEFITS		(9,769,489)	(897,972)	(10,667,461)	(8,541,660)
Cedant acquisition costs	10(a)	(3,196,101)	(599,140)	(3,795,241)	(3,650,381)
Operating and other expenses	10(b)	(1,686,095)	(240,060)	(1,926,155)	(1,900,568)
Provision for doubtful receivables	24	(748,757)	-	(748,757)	(358,478)
CLAIMS AND BENEFITS AND OTHER EXPENSES		(15,400,442)	(1,737,172)	(17,137,614)	(14,451,087)
PROFIT BEFORE TAX		2,628,815	1,412,993	4,041,808	3,033,273
INCOME TAX EXPENSE	11(a)	(158,303)	(22,539)	(180,842)	(823,568)
PROFIT FOR THE YEAR		2,470,512	1,390,454	3,860,966	2,209,705
OTHER COMPREHENSIVE INCOME					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Share of gain on property revaluation of associate	19	1,812	-	1,812	401
Remeasurement losses on defined benefit plans, net of tax	21	(60,119)	-	(60,119)	(22,305)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Reclassification adjustment relating to available-for-sale financial assets disposed in the year	7	(137,457)	-	(137,457)	(201,532)
Net losses on revaluation of available-for-sale quoted equity instruments	27	(53,952)	-	(53,952)	(328,495)
Net gains on revaluation of available-for-sale government securities	28	69,316	-	69,316	46,896
Share of movement in associate reserves:					
– currency translation	19	7,415	-	7,415	(45,990)
– fair value reserve	19	99,275	-	99,275	35,649
TOTAL OTHER COMPREHENSIVE INCOME		(73,710)	-	(73,710)	(515,376)
TOTAL COMPREHENSIVE INCOME		2,396,802	1,390,454	3,787,256	1,694,329
EARNINGS PER SHARE - basic and diluted	12			2.48	1.42

2 The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT THE YEAR ENDED 31st DECEMBER 2019

	Notes	Short term ³ Business 2019 KShs '000	Long term ³ Business 2019 KShs '000	Total 2019 KShs '000	Total 2018 KShs '000
EQUITY					
Share capital	13	6,499,491	500,000	6,999,491	1,749,873
Revaluation reserve	14	17,530	-	17,530	15,718
Fair value reserve	14	(81,424)	(10,064)	(91,488)	(68,670)
Translation reserve	14	288,983	-	288,983	281,568
Statutory reserve	33	-	5,754,183	5,754,183	4,379,937
Retained earnings	14	18,982,026	-	18,982,026	22,014,607
TOTAL EQUITY		25,706,606	6,244,119	31,950,725	28,373,033
ASSETS					
Property and equipment	15	88,919	-	88,919	91,631
Intangible assets	16	180,046	293,758	473,804	588,256
Investment properties	18	10,330,225	1,749,775	12,080,000	10,105,000
Investment in associate	19	5,169,908	-	5,169,908	4,473,962
Unquoted equity instruments	22	205,733	-	205,733	202,231
Mortgage loans	17	677,385	-	677,385	725,862
Corporate bonds-held to maturity	23	156,450	-	156,450	475,912
Receivables arising out of reinsurance and retrocession arrangements	24	2,467,972	157,530	2,625,502	3,673,176
Premium and loss reserves	25	281,968	-	281,968	271,655
Deferred acquisition costs	30	1,408,838	-	1,408,838	1,363,134
Other receivables	26	538,401	-	538,401	224,806
Income tax receivable	11(c)	584,440	-	584,440	441,976
Quoted equity instruments	27	1,219,059	346,246	1,565,305	1,599,431
Government securities	28	13,209,840	3,903,101	17,112,941	14,314,752
Inventory	29	22,071	-	22,071	13,590
Deposits with financial institutions	31	1,731,660	5,054,975	6,786,635	5,459,225
Cash and bank balances	32	572,977	11,693	584,670	338,035
TOTAL ASSETS		38,845,892	11,517,078	50,362,970	44,362,634
LIABILITIES					
Long term reinsurance contract liabilities	33	-	2,687,032	2,687,032	2,629,125
Short term reinsurance contracts liabilities	34	6,205,183	-	6,205,183	6,002,946
Payables arising out of reinsurance arrangements	35	1,482,457	325,417	1,807,874	549,466
Deferred tax liability	36	(1,218,165)	2,260,510	1,042,345	1,083,782
Retirement benefits obligation	21	127,629	-	127,629	55,462
Other payables	37	705,961	-	705,961	745,869
Unearned premiums	38	5,836,221	-	5,836,221	4,922,951
TOTAL LIABILITIES		13,139,286	5,272,959	18,412,245	15,989,601
NET ASSETS		25,706,606	6,244,119	31,950,725	28,373,033

The financial statements were approved by the board of directors on *26th March* 2020 and were signed on its behalf by:

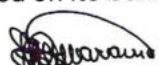
		
Jadhiah Mwarania Principal Officer	Chiboli Shakaba Director	Anthony Munyao Director

3 The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

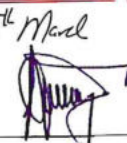
KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT THE YEAR ENDED 31st DECEMBER 2019

	Notes	Short term ^a Business 2019 KShs '000	Long term ^a Business 2019 KShs '000	Total 2019 KShs '000	Total 2018 KShs '000
EQUITY					
Share capital	13	6,499,491	500,000	6,999,491	1,749,873
Revaluation reserve	14	17,530	-	17,530	15,718
Fair value reserve	14	(81,424)	(10,064)	(91,488)	(68,670)
Translation reserve	14	289,763	-	289,763	282,348
Statutory reserve	33	-	5,711,407	5,711,407	4,320,953
Retained earnings	14	19,011,450	-	19,011,450	22,165,652
TOTAL EQUITY		25,736,810	6,201,343	31,938,153	28,465,874
ASSETS					
Property and equipment	15	66,794	-	66,794	68,541
Intangible assets	16	180,046	293,758	473,804	588,256
Investment properties	18	10,330,225	1,749,775	12,080,000	10,105,000
Investment in associate	19	5,169,908	-	5,169,908	4,473,962
Investment in subsidiary companies	20	463,408	-	463,408	187,782
Unquoted equity instruments	22	205,733	-	205,733	202,231
Mortgage loans	17	668,075	-	668,075	716,550
Corporate bonds-held to maturity	23	156,450	-	156,450	475,912
Receivables arising out of reinsurance and retrocession arrangements	24	1,951,839	124,585	2,076,424	3,296,200
Premium and loss reserves	25	158,820	-	158,820	170,731
Deferred acquisition costs	30	1,285,548	-	1,285,548	1,249,752
Due from related party	41	85,508	-	85,508	93,820
Other receivables	26	516,970	-	516,970	212,125
Income tax receivable	11(c)	565,720	-	565,720	410,956
Quoted equity instruments	27	1,219,059	346,246	1,565,305	1,599,431
Government securities	28	13,069,364	3,903,101	16,972,465	14,314,752
Inventory	29	21,973	-	21,973	13,492
Deposits with financial institutions	31	1,231,785	5,006,347	6,238,132	5,212,505
Cash and bank balances	32	346,207	6,761	352,968	161,216
TOTAL ASSETS		37,693,432	11,430,573	49,124,005	43,553,214
LIABILITIES					
Long term reinsurance contract liabilities	33	-	2,687,032	2,687,032	2,629,125
Short term reinsurance contracts liabilities	34	5,706,891	-	5,706,891	5,553,840
Payables arising out of reinsurance arrangements	35	1,283,243	281,688	1,564,931	440,611
Deferred tax liability	36	(1,234,837)	2,260,510	1,025,673	1,083,782
Retirement benefits obligation	21	127,629	-	127,629	55,462
Due to related party	41	35,938	-	35,938	43,091
Other payables	37	628,511	-	628,511	708,769
Unearned premiums	38	5,409,247	-	5,409,247	4,572,660
TOTAL LIABILITIES		11,956,622	5,229,230	17,185,852	15,087,340
NET ASSETS		25,736,810	6,201,343	31,938,153	28,465,874

The financial statements were approved by the board of directors on *26th March* 2020 and were signed on its behalf by:


 Jadhiah Mwarania
 Principal Officer


 Chiboli Shakaba
 Director


 Anthony Munyao
 Director

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Translation reserve KShs '000	Statutory reserve KShs '000	Retained earnings KShs '000	Total KShs '000
At 1 January 2018	1,749,873	15,317	378,812	327,558	3,939,491	20,794,033	27,205,084
Profit for the year	-	-	-	-	440,446	1,837,836	2,278,282
Other comprehensive income	-	401	(447,482)	(45,990)	-	(22,305)	(515,376)
Total comprehensive income	-	401	(447,482)	(45,990)	440,446	1,815,531	1,762,906
Dividends declared – 2017	-	-	-	-	-	(594,957)	(594,957)
At 31 December 2018	1,749,873	15,718	(68,670)	281,568	4,379,937	22,014,607	28,373,033
At 1 January 2019	1,749,873	15,718	(68,670)	281,568	4,379,937	22,014,607	28,373,033
Profit for the year	-	1,812	(22,818)	7,415	1,374,246	2,592,133	3,966,379
Other comprehensive income	-	1,812	(22,818)	7,415	-	(60,119)	(73,710)
Total comprehensive income	-	1,812	(22,818)	7,415	1,374,246	2,532,014	3,892,669
Capitalisation of retained earnings	5,249,618	-	-	-	-	(5,249,618)	-
Dividends declared – 2018	-	-	-	-	-	(314,977)	(314,977)
At 31 December 2019	6,999,491	17,530	(91,488)	288,983	5,754,183	18,982,026	31,950,725

KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Translation reserve KShs '000	Statutory reserve KShs '000	Retained earnings KShs '000	Total KShs '000
At 1 January 2018		1,749,873	15,317	378,812	328,338	3,885,371	21,008,791	27,366,502
Profit for the year		-	-	-	-	435,582	1,774,123	2,209,705
Other comprehensive income		-	401	(447,482)	(45,990)	-	(22,305)	(515,376)
Total comprehensive income		-	401	(447,482)	(45,990)	435,582	1,751,818	1,694,329
Dividends declared – 2017	39	-	-	-	-	-	(594,957)	(594,957)
At 31 December 2018		1,749,873	15,718	(68,670)	282,348	4,320,953	22,165,652	28,465,874
At 1 January 2019		1,749,873	15,718	(68,670)	282,348	4,320,953	22,165,652	28,465,874
Profit for the year		-	-	-	-	1,390,454	2,470,512	3,860,966
Other comprehensive income		-	1,812	(22,818)	7,415	-	(60,119)	(73,710)
Total comprehensive income		-	1,812	(22,818)	7,415	1,390,454	2,410,393	3,787,256
Dividends declared – 2018	39	-	-	-	-	-	(314,977)	(314,977)
Capitalisation of retained earnings		5,249,619	-	-	-	-	(5,249,619)	-
At 31 December 2019		6,999,492	17,530	(91,488)	289,763	5,711,407	19,011,450	31,938,153

KENYA REINSURANCE CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	KShs '000	KShs '000
Net cash generated from operations	40	2,283,297	1,210,624
Interest received on corporate bonds		61,056	58,004
Interest received on government securities		1,892,961	1,823,523
Interest received on staff mortgages and loans		22,931	18,745
Interest received on deposits with financial institutions		443,677	215,445
Interest received on commercial mortgages		38,825	47,828
Tax paid in the year	11(c)	<u>(410,389)</u>	<u>(999,879)</u>
Net cash generated from operating activities		<u>4,332,358</u>	<u>2,374,290</u>
Cash flows from investing activities			
Purchase of investment property	18	(98,558)	(85,789)
Purchase of property and equipment	15	(30,953)	(49,572)
Purchase of quoted equity instruments	27	(152,911)	-
Purchase of intangible assets	16	(88,361)	(194,395)
Purchase of government securities	28	(11,347,233)	(7,117,235)
Proceeds on maturity of government securities	28	8,739,837	7,375,788
Proceeds on sale of quoted equity instruments	27	133,085	259,376
Proceeds on redemption of corporate bonds	23	305,925	5,925
Dividends received on quoted equity instruments		<u>95,347</u>	<u>187,742</u>
Net cash generated (used in)/from investing activities		<u>(2,443,822)</u>	<u>381,840</u>
Cash flows used in financing activities			
Dividends paid	39	<u>(314,977)</u>	<u>(594,957)</u>
Net increase in cash and cash equivalents		1,573,559	2,161,173
Cash and cash equivalents at 1 January		5,797,260	3,635,590
Effect of unrealised exchange rate changes		<u>486</u>	<u>649</u>
Cash and cash equivalent at 31 December	32	<u>7,371,305</u>	<u>5,797,260</u>

KENYA REINSURANCE CORPORATION LIMITED
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	KShs '000	KShs '000
Net cash generated from operations	40	2,089,422	1,196,722
Interest received on corporate bonds	23	61,056	58,004
Interest received on government securities		1,871,787	1,823,523
Interest received on staff mortgages and loans		22,763	18,348
Interest received on deposits with financial institutions		435,129	184,563
Interest received on commercial mortgages		38,825	47,828
Tax paid in the year	11(c)	<u>(393,713)</u>	<u>(999,879)</u>
Net cash generated from operating activities		<u>4,125,269</u>	<u>2,329,109</u>
Cash flows from investing activities			
Purchase of investment property	18	(98,558)	(85,789)
Purchase of property and equipment	15	(25,554)	(37,940)
Purchase of quoted equity instruments	27	(152,911)	-
Purchase of intangible assets	16	(88,361)	(194,395)
Purchase of government securities	28	(11,226,222)	(7,117,235)
Proceeds on maturity of government securities	28	8,739,837	7,375,788
Proceeds on sale of quoted equity instruments	27	133,085	259,376
Proceeds on redemption of corporate bonds	23	305,925	5,925
Investment in subsidiary	20	(275,626)	-
Dividends received on quoted equity instruments		<u>95,347</u>	<u>187,742</u>
Net cash generated (used in)/from investing activities		<u>(2,593,038)</u>	<u>393,472</u>
Cash flows used in financing activities			
Dividends paid	39	<u>(314,977)</u>	<u>(594,957)</u>
Net increase in cash and cash equivalents		1,217,254	2,127,624
Cash and cash equivalents at 1 January		5,373,721	3,245,755
Effect of unrealised exchange rate changes		<u>125</u>	<u>342</u>
Cash and cash equivalent at 31 December	32	<u>6,591,100</u>	<u>5,373,721</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

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

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

(a) Basis of preparation

The consolidated financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act, 2015. The consolidated financial statements have been prepared on a historical cost basis, except for available –for sale investments and investment properties which have been measured at fair value and actuarially determined liabilities at their present value. The consolidated financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

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

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note (2).

(b) Basis of consolidation

(i) Subsidiary

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(i) Subsidiary (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date the control ceases.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full on consolidation.

Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance.

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(ii) The Group financial statements reflect the result of consolidation of the financial statements of the Company and its wholly owned subsidiaries, Kenya Reinsurance Corporation Limited Côte d'Ivoire, Kenya Reinsurance Corporation Zambia Limited and Kenya Reinsurance Corporation Uganda Limited.

(iii) 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.

(c) Business combinations and goodwill

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

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. This accounting policy choice can be made on an individual business combination basis.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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

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

(d) New and amended standards and interpretations

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

On 1 January 2019, the group adopted the following new standards, new Interpretations and amendments to standards.

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

Except adoption of IFRS 16 Leases as discussed below, all the other amendments and annual improvements did not have an impact on the group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations (continued)

Standards issued but not yet effective:

New or revised standards and interpretations:

	Effective for accounting period beginning on or after
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
The Conceptual Framework Financial Reporting	1 January 2020
IFRS 9 Financial Instruments	1 January 2023
IFRS 17 Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred indefinitely

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

IFRS 17 Insurance Contracts

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations (continued)

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted; provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of

insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The group did not adopt IFRS 9 when it became effective on 1 January 2018 as it met the eligibility criteria of the temporary exemption from IFRS 9 and opted to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17).

The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

(e) Reinsurance contracts

(i) Classification

Reinsurance contracts are those contracts that transfer significant reinsurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant reinsurance risk, as the possibility of having to pay benefits on the occurrence of a reinsured event that is at least 10% more than the benefits payable if the reinsured event did not occur. Reinsurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Kenyan Insurance Act.

(a) Short-term reinsurance business

Short term reinsurance business refers to reinsurance business of any class or classes that is not long term reinsurance business.

Classes of short term reinsurance include aviation, engineering, fire (domestic risks, industrial and commercial risks), medical, liability, marine, motor (private vehicles and commercial vehicles), personal accident, theft, workmen's compensation, employer's liability and miscellaneous (i.e. any class of business not included under those listed above).

The Group's main classes are described below:

- Motor reinsurance business means the business of effecting and carrying out contracts of reinsurance 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.
- Fire reinsurance business refers to the business of effecting and carrying out contracts of reinsurance, other than incidental to some other class of reinsurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.
- Medical reinsurance business means the business of underwriting the medical class of business offered by the insurers. This is to the individual or group in-patient or outpatient medical insurances.
- Miscellaneous reinsurance business refers to the business of effecting and carrying out contracts of reinsurance which are not principally or wholly of any types included in other classes of business but include reinsurance of bonds of all types, reinsurance of livestock and crop reinsurance.
- Agriculture reinsurance business means the business of effecting and carrying out contracts of reinsurance against loss of, or damage to, or arising out of or in connection with livestock and crop.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Reinsurance contracts (continued)

(i) Classification (continued)

(b) Long-term reinsurance business

Includes reinsurance business of all or any of the following classes: ordinary life and group life and business incidental to any such class of business.

Ordinary life reinsurance business refers to 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 reinsurance contract), and includes contracts which are subject to the payment of premiums for term dependent on the termination or continuance of human life. Group life reinsurance business refers to the business of, or in relation to, the issuing of or the undertaking of liability under group life and permanent health reinsurance policies.

(ii) Recognition and measurement

The results of the reinsurance business are determined on an annual basis as follows:

(a) Premium income

General reinsurance written premiums and related expenses are accounted for in profit or loss when earned or incurred. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period and are estimated at 40% of net premiums.

Recurring premiums on life contracts are recognised as revenue when payable by the policy holder. For single premium business, revenue is recognised on the date on which the policy is effective. Outward retrocession premiums are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

(b) Claims incurred

General reinsurance claims incurred comprise claims paid in the period and changes in the provision for outstanding claims. Claims paid represent all payments made during the period, 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 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 period are closed and include provisions for claims incurred but not reported ("IBNR").

Benefits and claims for life reinsurance contracts include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

(c) Cedant acquisition costs and deferred acquisition costs

For general reinsurance business a proportion of cedant acquisition costs is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of cedant acquisition costs and other acquisition costs that relate to the unexpired term of the policies that are in force at the year end. Cedant acquisition costs on life reinsurance contracts are recognised as an expense when incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Reinsurance contracts (continued)

(ii) Recognition and measurement (continued)

(d) Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Long-term reinsurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

The Group underwrites both treaty and mandatory cessions business. Compulsory cessions ordinary life business is written on a risk premium basis. Accordingly, this business can be viewed as a series of one year renewable term assurances reinsured on guaranteed risk premium rates and valued as such. Therefore, the actuarial reserves are established as a proportion of gross annual premiums written. Each type or class of ordinary life business is valued as a different percentage of annual office premiums written.

(e) Retrocession contracts held

Contracts entered into by the Group with retrocessionaires under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for retrocession contracts are classified as retrocession contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Retrocession premiums payable are recognised in the period in which the related premium income and claims are earned /incurred, respectively. The benefits to which the Group is entitled under its retrocession contracts held are recognised as retrocession assets. These assets consist of short-term balances due from retrocessionaires, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related retrocession contracts. Amounts recoverable from or due to retrocessionaires are measured consistently with the amounts associated with the retrocession contracts and in accordance with the terms of each retrocession contract. Retrocession liabilities are primarily premiums payable for retrocession contracts and are recognised as an expense when due.

The Group assesses its retrocession assets for impairment on a quarterly basis. If there is objective evidence that the retrocession asset is impaired, the Group reduces the carrying amount of the retrocession asset to its recoverable amount and recognises that impairment loss. The Group gathers the objective evidence that a retrocession asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

(f) Receivable and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from cedants and brokers. If there is objective evidence that the reinsurance receivable is impaired, the Group reduces the carrying amount of the reinsurance receivable accordingly and recognises the impairment loss in profit or loss. The Group gathers the objective evidence that a reinsurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Reinsurance contracts (continued)

(ii) Recognition and measurement (continued)

(g) Premium and loss reserves

Premium and loss reserves relate to premiums retained by cedants as a deposit for due performance of obligations by the reinsurers. The percentage retained varies from one treaty to another and from one cedant to another. Premium and loss reserves are recognised when retained by the cedants. Premiums retained are subsequently released to the Group at the expiry of the policy period.

(h) Other income recognition

Acquisition cost recoveries are recognised as income in the period in which they are earned. Interest income is recognised on a time proportion basis that takes into account the effective yield on the principal outstanding. Dividends receivable are recognised as income in the period in which the right to receive payment is established.

(f) Foreign currency transactions

The Group's consolidated financial statements are presented in Kenya Shillings (KShs), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Difference arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively)

(g) Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Tax (continued)

(ii) Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(h) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from the changes in fair value of investment properties are included in profit or loss in the period which they arise.

An investment property is derecognised upon disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period which the property is derecognised.

(i) Property and equipment

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation

Depreciation is calculated on the straight line basis to write off the cost of the property and equipment over their expected useful lives at the following annual rates:-

Computer equipment	25.0%
Motor vehicles	25.0%
Furniture, fittings and equipment	12.5%

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets – computer software and licenses

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, not exceeding a period of three years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Any impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in OCI up to the amount of any previous revaluation. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The impairment reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

(k) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

Inventories comprise housing units for sale, stationery items and repair materials. Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Revaluation reserve

The revaluation reserve relates to investment properties. The reserve is non-distributable. The revaluation surplus represents the surplus on the revaluation of investment property, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity.

(n) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

(o) Translation reserve

The translation reserve relates to cumulative foreign exchange movement on the net investment in PTA Re, an associate company accounted for under the equity method and the foreign denominated subsidiaries.

(p) Statutory reserve

The statutory reserve represents actuarial surpluses from the long term business whose distribution is subject to restrictions imposed by the Kenyan Insurance Act. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated profits of the long term business.

(q) Investment in associate

Investment in associate is accounted for using the equity method of accounting in both the separate and consolidated financial statements. The associate is a company in which the Group exercises significant influence but which it does not control. Significant influence is the power to participate in financial and operating policy decisions of the investment but it is not control or joint control over those policies.

Under the equity method, the investment in associate is carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the carrying value of the investments. Losses of the associate in excess of the group's interest in the associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(r) Investment in subsidiaries

Investments in subsidiaries are carried in the Company's separate statement of financial position at cost less provisions for impairment losses. Where in the opinion of directors, there has been impairment in the value of the investment; the loss is recognised as an expense in the period in which the impairment is recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or liability is recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this at every reporting date. The classification depends on the purpose for which the financial assets were acquired.

Classification

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit making, or if so designated by management. The Group has not designated any of its financial assets into this category.

(t) Financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term or that it has designated as at fair value through income or available-for-sale. These include mortgage loans, receivables arising out of reinsurance and retrocession arrangements, premium and loss reserves, rent receivables, deposits with financial institutions and other receivables. After initial measurement, such financial assets are subsequently measured at amortised cost. The losses arising from impairment are recognised in the statement of profit or loss under provisions for doubtful debts accounts.

The Group assesses its loans and receivables for impairment on a quarterly basis. If there is objective evidence that they are impaired, the Group reduces the carrying amount of the assets to its recoverable amount and recognises that impairment loss.

Loans and receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the group to sell or reclassify other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. This class includes government securities and corporate bonds. In the case of financial assets held to maturity, impairment of is assessed based on the same criteria as loans and receivables.

Available-for-sale (AFS) financial assets

This category represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity. This class includes quoted and unquoted equity instruments. The Group has also designated some government securities into this category.

Available for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of each reporting period. These include the company's unquoted equities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial instruments (continued)

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Recognition

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments fair value reserve is reclassified to profit or loss.

Derecognition

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

Financial liabilities

All financial liabilities are classified as other financial liabilities and are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Cash and cash equivalents

Cash and cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(v) Retirement benefits obligations

Defined benefit scheme

The Group operates a defined benefit pension scheme (the "Scheme") for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions from the employer. Contributions are determined by the rules of the scheme. The cost of providing retirement benefits is assessed using the attained age method by qualified actuaries. The scheme is valued annually. The projected unit credit method has been used to determine the value of the liability.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the Scheme.

Effective 30 September 2010, the Scheme was closed to new entrants.

Statutory defined contributions scheme

The Group also contributes to the statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The Company's obligations to retirement benefits schemes are charged to the profit or loss as they fall due.

Other Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the end of the reporting period. These are short term in nature and are settled within 12 months.

Non pensionable employees are entitled to a gratuity. The gratuity is recognised when the benefits accrue to the employees. Gratuity payments are specified lump sum payments paid to employees when the contract comes to an end. The final pay-out is based on the contracted period of service. The expense accruals are recognised in profit or loss and the liability recognised in the statement of financial position

(w) Dividends

Dividends payable to shareholders are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Held -to-maturity financial assets

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. If the Group were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value. In making this judgment, the Group evaluates its intention and ability to hold such assets to maturity. If the Group fails to keep these financial assets to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale.

Assessment of significant influence over an associate

The Group considers that it has significant influence over Zep –Re Limited though it owns less than the 20% of the voting power of the company. This is because the Group is the single largest shareholder of Zep-Re Limited with a 19.17% (2018: 19.13%) interest of the equity interest. The remaining 80.83% (2018: 80.87%) of the equity shares in Zep-Re Limited are widely held by many other shareholders, none of which individually hold more than 14 % of the equity shares (as recorded in the company's shareholders' register from 31 December 2014 to 31 December 2019). The group also has representation in the associate's Board.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of insurance contract liabilities

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

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

Valuation of insurance contract liabilities (continued)

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure. Further details are disclosed in note 34 and 35.

Receivables

Critical estimates are made by the directors in determining the recoverable amount of receivables. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Equity investment impairment

In assessing whether equity investments classified as available-for-sale has had a 'significant or prolonged' decline in the fair value of the investment below its cost, the Group would benchmark the performance of the investment against its peers, review three years strategic plan and perform in-depth analysis on key identified ratios. Further details are disclosed in note 22.

Impairment losses

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for coming years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

In assessing whether there is any indication that the tangible and intangible assets may be impaired, the Group considers the following indications:

- (a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- (b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (d) the carrying amount of the net assets of the entity is more than its market capitalisation.
- (e) evidence is available of obsolescence or physical damage of an asset.
- (f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Revaluation of investment properties

The Group carries all its investment properties at fair value, with changes in fair value of investment properties being recognised in the statement of profit or loss. Investment properties were last revalued as at 31 December 2019 on the basis of open market value by independent valuer, Caroline N. Nyororo - P/No. 0002566 of Ebony Estates Limited. Further details are disclosed in note 18.

Contingent liabilities

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

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Further details are disclosed in note 43.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are disclosed in note 21.

Tax

Critical judgements are made by the directors in determining future tax obligations that would arise as a result of the entity entering into certain transactions that would normally attract tax. In particular, management's judgement is required in the estimation of the amount of capital gain tax that would be payable by the entity should it dispose any of its investment properties. These estimates are based on assumptions about a number of factors, which include the likelihood of sale of any of its investment properties, the circumstances that would most likely trigger a sale of its investment properties and the likelihood of the entity being granted an exemption by the revenue authority within the confines of the law due to those factors.

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including insurance risk, liquidity risk, credit risk, and the effects of changes in property and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program 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.

Reinsurance risk

The Group reinsures all classes of insurance business including accident, engineering, medical liability, motor, fire, aviation and life. The bulk of the business written is of a short-term nature.

The group has in place a detailed underwriting manual covering risk acceptance procedures, accumulation control and how to arrange for reinsurance protection. It guides the underwriters in their day to day transaction of business, while emphasising prudence and professionalism. The group aims to have a diversified portfolio of business with a sufficiently large population of risks, in order to reduce reliance on one geographical area or class of business.

The risk under any one insurance contract arises from 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.

Frequency and severity of claims

A key risk, related to pricing and provisioning, that the Group faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance 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 based on past experience.

The Group has developed its reinsurance 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. The Group also manages these risks through its underwriting strategy and adequate retrocession arrangements and proactive claims handling.

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES **(continued)**

Frequency and severity of claims (continued)

Underwriting limits are in place to enforce appropriate risk selection criteria. The Group re-insures to specialist reinsurance companies a proportion of its portfolio or certain types of insurance risk. This serves primarily to:

- reduce the net liability on large individual risks
- obtain greater diversification of insurance risks
- provide protection against large losses

The retrocession arrangements include proportional and non-proportional treaties. The expected effect of such retrocession arrangements is that the Company should not suffer total net insurance losses of more than set limits per class of business.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported

Sources of uncertainty in the estimation of future claim payments

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 incurred but not reported (IBNR) claims, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The main assumption underlying this technique is that the Group's past claims development experience be used to project future claims development and hence ultimate claims costs. .

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Concentration of insurance risk

The Group's concentration of reinsurance risk is determined by class of business. The shared characteristic that identifies each concentration is the insured event and the key indicator is the net earned premium as disclosed in note 6. There were no significant shifts in the portfolio concentration.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

The actuarial methods used are not very sensitive to changes in the key assumptions used in determining the actuarial liabilities. The key actuarial assumptions will need to change very significantly for the actuarial liabilities to change by a relatively small percentage. The methods used and significant assumptions made did not change from the previous period.

An analysis of the Group's financial assets and its reinsurance liabilities is presented below;

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets				
Held to maturity:				
- Government securities	16,888,564	13,226,931	16,748,088	13,226,931
- Corporate bonds	156,450	475,912	156,450	475,912
Available for sale				
- Government securities	224,377	1,087,821	224,377	1,087,821
- Quoted equities	1,565,305	1,599,431	1,565,305	1,599,431
- Unquoted equities	205,773	202,231	205,773	202,231
Loans and receivables				
Receivables arising out of reinsurance arrangements	2,625,502	3,673,176	2,076,424	3,296,200
Cash and bank balances	584,670	338,035	352,968	161,216
Due from related parties		-	85,508	93,820
Deposits with financial institutions	6,786,635	6,786,635	6,238,132	5,212,505
Premium and loss reserves	281,968	271,655	158,820	170,731
Mortgage loans	677,385	725,862	668,075	716,550
Other receivables	504,405	198,151	485,350	192,948
Total financial assets and receivables arising from reinsurance arrangements	30,524,790	28,585,840	28,996,850	26,436,296
Financial liabilities at amortised cost				
Payables arising out of reinsurance arrangements	1,807,874	549,466	1,564,931	440,611
Other payables	511,112	553,262	487,116	530,256
Total financial liabilities and payables arising from reinsurance arrangements	2,513,835	1,102,728	2,193,441	970,867
Insurance contract liabilities				
Long term liabilities	2,687,032	2,629,125	2,687,032	2,629,125
Short term liabilities	6,376,059	6,002,946	5,877,767	5,553,840
Total insurance contract liabilities	8,892,215	8,632,071	8,393,923	8,182,965

Reinsurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

The tables below indicates the contractual timing of cash flows arising from assets and liabilities

GROUP

31 December 2019	Carrying Amount	No stated maturity	Contractual cash flows (undiscounted)		
	KShs '000	KShs '000	0-1 years KShs '000	1-5 years KShs '000	>5 years KShs '000
Financial assets					
Held to maturity:					
- Government securities	16,888,564	-	778,867	9,621,948	13,705,064
- Corporate bonds	156,450	-	84,132	100,433	-
Available for sale					
-Quoted equities	1,565,305	1,565,305	-	-	-
-Government securities	224,377	-	-	-	272,782
-Unquoted equities	205,733	205,733	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	2,625,502	2,625,502	-	-	-
Other receivables	504,405	504,405	-	-	-
Premium loss reserves	281,968	281,968	-	-	-
Mortgage loans	677,385	-	33,493	92,874	570,525
Cash and cash equivalents	7,371,305	-	7,371,305	-	-
Total	30,534,990	5,216,909	8,267,797	9,815,255	14,548,371
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	1,807,874	1,807,874	-	-	-
Other payables	705,961	705,961	-	-	-
Total financial liabilities	2,513,835	2,513,835			
Reinsurance liabilities					
Long term liabilities	2,687,032	2,687,032	-	-	-
Short term liabilities	6,205,183	6,205,183	-	-	-
Total	11,406,050	11,406,050			
Net gap	19,128,940	(6,189,141)	7,756,685	9,815,255	14,548,371

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

The tables below indicates the contractual timing of cash flows arising from assets and liabilities (continued)

COMPANY

31-December 2019	Carrying amount	No stated maturity	Contractual cash flows (undiscounted)		
			0-1 years	1-5 years	>5 years
Held to maturity:					
- Government securities	16,748,088	-	778,867	9,621,948	13,705,064
- Corporate bonds	156,450	-	84,132	100,433	-
Available for sale					
-Quoted equities	1,565,305	1,565,305	-	-	-
-Government securities	224,377	-	-	-	272,782
-Unquoted equities	205,733	205,733	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	2,076,424	2,076,424	-	-	-
Due from related parties	85,508	85,508	-	-	-
Other receivables	516,969	516,969	-	-	-
Premium loss reserves	158,820	158,820	-	-	-
Mortgage loans	668,075	-	33,033	91,597	562,684
Cash and cash equivalents	<u>6,591,100</u>	<u>-</u>	<u>6,591,100</u>	<u>-</u>	<u>-</u>
Total	<u>28,996,849</u>	<u>4,608,759</u>	<u>7,487,132</u>	<u>9,813,978</u>	<u>14,540,530</u>
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	1,564,931	1,564,931	-	-	-
Other payables	<u>628,510</u>	<u>628,510</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>2,193,441</u>	<u>2,193,441</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reinsurance liabilities					
Long term liabilities	2,687,032	2,687,032	-	-	-
Short term liabilities	<u>5,706,891</u>	<u>5,706,891</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>10,587,364</u>	<u>10,587,364</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net gap	<u>18,409,485</u>	<u>(5,978,605)</u>	<u>7,487,132</u>	<u>9,813,978</u>	<u>14,540,530</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

The tables below indicates the contractual timing of cash flows arising from assets and liabilities (continued)

GROUP 31 December 2018	Carrying Amount KShs '000	No stated maturity KShs '000	Contractual cash flows (undiscounted)		
			0-1 years KShs '000	1-5 years KShs '000	>5 years KShs '000
Financial assets					
Held to maturity:					
- Government securities	13,226,931	-	610,000	7,535,800	10,733,650
- Corporate bonds	475,912	-	255,925	305,512	-
Available for sale					
-Quoted equities	1,599,431	1,599,431	-	-	-
-Government securities	1,087,821	-	-	520,000	802,500
-Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	3,673,176	3,673,176	-	-	-
Other receivables	198,151	198,151	-	-	-
Premium loss reserves	271,655	271,655	-	-	-
Mortgage loans	725,862	-	35,890	99,520	611,355
Cash and cash equivalents	5,797,260	-	5,797,260	-	-
Total	27,258,430	5,944,644	6,699,075	8,460,832	12,147,505
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	549,466	549,466	-	-	-
Other payables	553,262	-	553,262	-	-
Total financial liabilities	1,102,728	549,466	553,262	-	-
Reinsurance liabilities					
Long term liabilities	2,629,125	2,629,125	-	-	-
Short term liabilities	6,002,946	6,002,946	-	-	-
Total	9,734,799	9,181,537	553,262	-	-
Net gap	17,523,631	(3,236,893)	6,145,813	8,460,832	12,147,505

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FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

The tables below indicates the contractual timing of cash flows arising from assets and liabilities (continued)

COMPANY	Carrying amount	No stated maturity	Contractual cash flows (undiscounted)		
			0-1 years	1-5 years	>5 years
31-December 2018					
Held to maturity:					
- Government securities	13,226,931	-	610,000	7,535,800	10,733,650
- Corporate bonds	475,912	-	255,925	305,512	-
Available for sale					
-Quoted equities	1,599,431	1,599,431	-	-	-
-Government securities	1,087,821	-	-	520,000	802,500
-Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	3,296,200	3,296,200	-	-	-
Due from related parties	93,820	93,820	-	-	-
Other receivables	192,948	192,948	-	-	-
Premium loss reserves	170,731	170,731	-	-	-
Mortgage loans	716,550	-	34,890	99,300	611,355
Cash and cash equivalents	<u>5,373,721</u>	-	<u>5,373,721</u>	-	-
Total	<u>26,436,296</u>	<u>5,555,361</u>	<u>6,274,536</u>	<u>8,460,612</u>	<u>12,147,505</u>
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	440,611	440,611	-	-	-
Other payables	<u>530,256</u>	-	<u>530,256</u>	-	-
Total financial liabilities	<u>970,867</u>	<u>440,611</u>	<u>530,256</u>	-	-
Reinsurance liabilities					
Long term liabilities	2,629,125	2,629,125	-	-	-
Short term liabilities	5,553,840	5,553,840	-	-	-
Total	<u>9,153,832</u>	<u>8,623,576</u>	<u>530,256</u>	-	-
Net gap	<u>17,282,464</u>	<u>(3,068,215)</u>	<u>5,744,280</u>	<u>8,460,612</u>	<u>12,147,505</u>

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES **(continued)**

Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance liabilities as they fall due. 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.

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. The risk management policies established identify and analyse the risks faced by the Group, set appropriate risk limits and controls, and monitor risks and adherence to limits. These risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Liquidity risk

Liquidity risk is current or prospective risk to earnings and capital arising from the Group's failure to meet its maturing obligations when they fall due without incurring unacceptable losses. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To this end, there is a Board approved policy to effectively manage liquidity at all times to meet claims payable, unexpected outflow/non-receipt of expected inflow of funds as well as ensure adequate diversification of funding sources. The Finance, Investment and Tender Oversight Committee undertakes liquidity management and scenario analysis as per the policy.

Funds are raised mainly from reinsurance premiums and investment income and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

In addition, the Corporation holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The analysis of the liquidity position of the Group's financial liabilities is as disclosed in the table above.

(b) Market risk

Management of market risk

Market risk is the risk that changes in market prices, interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk is vested in the board of directors. The board of directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is managed principally through monitoring interest rate gaps. The board of directors is the monitoring body for compliance with these limits and is assisted by risk management in its day-to-day monitoring activities.

The interest earning financial assets that the Group holds include investments in government securities, mortgage loans, corporate bonds and deposits with financial institutions. Re-insurance receivables are not interest bearing. Liabilities under short term insurance contracts are not interest bearing.

The interest rate risk of the above future cash flows is considered to be low primarily because they are at fixed interest rates. A change of 1% in interest rates would have immaterial effects on the future cash flows.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

Currency rate risk

The Group writes business from a number of countries and as a consequence receives premiums in several currencies. The Group's obligations to, and receivables from the cedants are therefore in these original currencies. The Group is therefore exposed to the exchange rate risk where there is a mismatch between assets and liabilities per currency.

The Group's main operations are concentrated in Kenya and its assets and liabilities are reported in the local currency. It has transactions in foreign currency which are mainly denominated in US Dollars.

Foreign exchange risk also arises from commercial transactions, recognized assets and liabilities in foreign currencies such as deposits with financial institutions.

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Assets in foreign currencies				
Trade and other receivables	3,476,551	3,831,077	3,154,651	3,154,651
Premiums and loss reserves	567,066	962,727	806,580	806,580
Deposits with financial institutions	1,887,692	1,163,374	1,625,203	1,108,251
Cash and bank	<u>365,825</u>	<u>266,794</u>	<u>170,093</u>	<u>45,240</u>
Foreign currency assets	<u>6,297,134</u>	<u>6,223,972</u>	<u>5,756,527</u>	<u>5,512,632</u>
Liabilities in foreign currencies				
Payables	<u>(712,583)</u>	<u>(336,903)</u>	<u>(508,868)</u>	<u>(228,048)</u>
Net foreign currency (liability)/ asset position	<u>5,584,551</u>	<u>5,887,069</u>	<u>5,247,659</u>	<u>4,886,674</u>

The following table demonstrates the sensitivity to a reasonably possible change in USD, with all other variables held constant, of the Group's and the Company's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

USD		GROUP		COMPANY	
		Effect on profit before tax KShs'000	Effect on equity KShs'000	Effect on profit before tax KShs'000	Effect on equity KShs'000
2019	Increase in US\$ by 10%	558,455	390,918	524,766	367,336
	Decrease in US\$ by 10%	(558,455)	(390,918)	(524,766)	(367,336)
2018	Increase in US\$ by 10%	588,707	412,095	488,667	342,067
	Decrease in US\$ by 10%	(588,707)	(412,095)	(488,667)	(342,067)

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

Price risk

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 which are classified as available for sale financial assets. Exposure to equity price risks 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 equities 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. The Group's unlisted equities are also subject to price risk however, the Group has carried them at cost less any impairment cost. Refer to note 22.

As at the reporting date, the exposure to listed equity securities at fair value was KShs 1,565 million (2018: KShs 1,599 million). An increase/decrease of 15% in the value of the listed equity would result in a decrease / increase in profits of KShs 235 million (2018: 240 KShs million) and an increase/decrease in equity by KShs 164 million (2018: KShs 168 million).

(c) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group manages, limits and controls concentration of credit risks periodically against internal and regulatory requirements with respect to individual counterparties or related company of counterparties, industry sectors, business lines, product types, amongst others.

Key areas where the Group is exposed to credit risk are:

- amounts due from reinsurers in respect of claims already paid;
- amounts due from cedants;
- amounts due from re-insurance intermediaries;
- mortgage advances to its customers and staff;
- government and corporate bonds;
- deposits with financial institutions;
- cash and bank balances.

The Group structures the levels of credit risk it accepts by placing credit limits on its exposure to a single counterparty or company of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the board of directors.

The creditworthiness of cedants is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Group maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the board of directors includes details of provisions for impairment on amounts due from cedants and subsequent write-offs.

Investments in government securities are deemed adequately secured by the Government of Kenya with no inherent default risk. The credit risk on the corporate bonds, deposits and balances with financial institutions is considered to be low because the counterparties are companies and banks with high credit ratings. The credit risk on mortgages is managed by ensuring that the mortgage issued is secured by the related property and that the mortgage amount given is below the value of the related property.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The following table details the maximum exposure before consideration of any collateral:

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Government securities	17,112,941	14,314,752	16,972,465	14,314,752
Corporate bonds	156,450	475,912	156,450	475,912
Loans and receivables at amortized cost:				
Deposits with financial institutions	6,786,635	5,459,225	6,238,132	5,212,505
Mortgage loans	677,385	725,862	668,075	716,550
Receivables arising out of reinsurance arrangements	2,625,502	3,673,176	2,076,424	3,296,200
Premium and loss reserves (note 25)	281,968	271,655	158,820	170,731
Bank balances	584,670	338,035	352,968	161,216
Other receivables	538,401	198,151	516,969	192,948
Total assets bearing credit risk	<u>28,763,952</u>	<u>25,456,768</u>	<u>27,140,304</u>	<u>24,540,814</u>
Receivables arising out of reinsurance arrangements are summarized as follows:				
Neither past due nor impaired	813,442	711,762	655,908	655,908
Past due but not impaired:				
-up to 91 to 365 days	945,200	2,597,586	1,402,857	2,289,764
-up to 1 to 2 years	866,860	363,828	350,528	350,528
-Impaired	2,798,296	2,004,593	2,504,174	1,705,142
	5,423,798	5,677,769	4,580,598	5,001,342
Less: provision for impairment (note 24)	<u>(2,798,296)</u>	<u>(2,004,593)</u>	<u>(2,504,174)</u>	<u>(1,705,142)</u>
Total	<u>2,625,502</u>	<u>3,673,176</u>	<u>2,076,424</u>	<u>3,296,200</u>

Mortgage loans are summarized as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Neither past due nor impaired	677,385	721,687	668,075	712,478
Past due but not impaired:				
-0 to 60 days	-	648	-	545
-61 to 120 days	-	1,160	-	1,160
-121 to 180 days	-	2,367	-	2,367
Impaired	146,404	146,404	146,404	146,404
	823,789	872,266	814,479	862,954
Less: provision for impairment (note 17)	<u>(146,404)</u>	<u>(146,404)</u>	<u>(146,404)</u>	<u>(146,404)</u>
Total	<u>677,385</u>	<u>725,862</u>	<u>668,075</u>	<u>716,550</u>

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

(c) Credit risk (continued)

The accounts under the fully performing category are paying their debts as they continue trading. The default rate is low. Credit control department actively monitors overdue account balances. In addition, the Group settles claims on a net basis i.e. net of any re-insurance receivables due from cedants. An impairment analysis is performed at each reporting date on an individual basis. The debt that is impaired has been fully provided for. The maximum exposure to credit risk at the reporting date is the carrying amount. Refer to note 17 and 25 for impairment analysis of mortgage loans and premiums and loss reserves respectively.

Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

The following fair value disclosures have been made in respect of quoted Government securities and quoted corporate bonds which have been carried at amortised cost. The carrying amounts of the remaining financial instruments i.e. cash and bank and receivables, approximate their fair values hence no fair value disclosures have been made.

GROUP	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2019:				
Government securities	16,748,088	-	-	16,748,088
Corporate bonds	156,450	-	-	156,450
At 31 December 2018:				
Government securities	12,456,287	-	-	12,456,287
Corporate bonds	462,867	-	-	462,867
COMPANY				
At 31 December 2019:				
Government securities	16,638,588	-	-	16,638,588
Corporate bonds	156,450	-	-	156,450
At 31 December 2018:				
Government securities	12,456,287	-	-	12,456,287
Corporate bonds	462,867	-	-	462,867

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – 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 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

(c) Credit risk (continued)

(ii) Fair value hierarchy (continued)

The following table shows an analysis of financial and non- financial assets and liabilities recorded at fair value by level of the fair value hierarchy. However, the unquoted equity instruments have been stated at cost less any impairment loss for the year.

GROUP	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2019				
Government securities	224,377	-	-	224,377
Quoted equity instruments	1,565,305	-	-	1,565,305
Investment properties	-	-	12,080,000	12,080,000
At 31 December 2018				
Government securities	1,087,821	-	-	1,087,821
Quoted equity instruments	1,599,431	-	-	1,599,431
Investment properties	-	-	10,105,000	10,105,000
COMPANY				
At 31 December 2019				
Government securities	224,377	-	-	224,377
Quoted equity instruments	1,565,305	-	-	1,565,305
Investment properties	-	-	12,080,000	12,080,000
At 31 December 2018				
Government securities	1,087,821	-	-	1,087,821
Quoted equity instruments	1,599,431	-	-	1,599,431
Investment properties	-	-	10,105,000	10,105,000

The management assessed that the fair values of cash and short-term deposits, re-insurance receivables, other receivables, re-insurance payables, mortgage debtors, treasury bills and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2019 and 2018 are as shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Investment properties	Open market basis	Price per acre in a similar location	KShs 500 million - KShs 800 million
		Discount rate	7.25-9.25%
	Depreciated replacement cost method	Rental income per square meter	KShs 750-KShs 1,000 per square metre
		Estimated costs associated with maintaining the building	

The valuation of investment properties was carried out by Caroline N. Nyororo - P/No. 0002566 of Ebony Estates Limited, professional independent valuers as at 31 December 2019.

4. CAPITAL MANAGEMENT

Capital includes ordinary shares and equity attributable to the shareholders of the Group.

Externally imposed capital requirements are set and regulated by various Insurance Regulatory Authorities in the countries of operations. These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

Further, the Group and Company currently has a paid up capital of KShs 7 billion for the combined composite business, which meets the minimal requirement of KShs 800 million as per the Insurance Act.

As at 31 December 2019, the Group had complied with the externally imposed capital requirements. The Kenya Reinsurance Corporation Cote d'Ivoire Subsidiary is required by CIMA regulation article 810 on share capital to have a registered capital of at least ten billion (10,000,000,000) FCFA equivalent to KShs 1,768,127,729 by 15 November 2020.

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 reinsured 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 company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Group has a number of sources of capital available to it and seeks to optimize its retention capacity in order to ensure that it can consistently maximize returns to shareholders. The Group considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, 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. The Group has no borrowings.

During the year the Group held the minimum paid up capital required and also met the required solvency margins.

5. SEGMENTAL REPORTING

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess performance.

Thus, under IFRS 8 the Group's reportable segments are long term business and short-term business. The short-term business segment comprises of motor, marine, aviation, fire, and accident. The long-term business segment includes individual and group life. These segments are the basis on which the CODM allocates resources and assesses performance. Investment and cash management for the Group's own accounts are also reported as part of the above segments. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest and investment income is credited to business segments based on segmental capital employed. The Group's main geographical segment of business is in Kenya.

The management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the corporation's total revenue in 2019 or 2018.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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5. SEGMENTAL REPORTING (continued)

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Gross earned premiums				
General insurance business	15,477,937	12,933,106	14,332,826	12,146,618
Life business	<u>2,043,406</u>	<u>1,905,287</u>	<u>2,040,656</u>	<u>1,900,423</u>
	<u>17,521,343</u>	<u>14,838,393</u>	<u>16,373,482</u>	<u>14,047,041</u>
Investment income:				
General insurance business				
Rental income from investment properties	752,757	828,994	752,757	828,994
Interest on Government securities held to maturity	1,573,725	1,498,428	1,554,259	1,498,428
Gain on sale of available-for-sale quoted equity instruments	137,457	201,532	137,457	201,532
Dividends receivable on available for sale quoted equity instruments	76,984	124,772	76,984	124,772
Interest on commercial mortgages	47,473	51,116	47,473	51,116
Interest on deposits with financial institutions- held to maturity	114,454	195,269	85,921	174,732
Interest on corporate bonds- held to maturity	47,519	57,145	47,519	57,145
Capital Gain on T.Bond-General Fund	93,383	-	93,383	-
Interest on staff mortgages and loans	<u>22,931</u>	<u>18,745</u>	<u>22,763</u>	<u>18,348</u>
	<u>2,866,683</u>	<u>2,976,001</u>	<u>2,818,516</u>	<u>2,955,067</u>
Life assurance business				
Rental income from investment properties	127,505	46,414	127,505	46,414
Interest on Government securities held to maturity	364,535	263,917	364,535	263,917
Dividends receivable on available-for-sale quoted equity instruments	21,865	44,466	21,865	21,091
Interest on deposits with financial institutions- held to maturity	<u>334,108</u>	<u>55,379</u>	<u>349,209</u>	<u>55,379</u>
	<u>848,013</u>	<u>410,176</u>	<u>863,114</u>	<u>410,176</u>
Total investment income	<u>3,714,696</u>	<u>3,386,177</u>	<u>3,681,630</u>	<u>3,365,243</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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5. SEGMENTAL REPORTING (continued)

Other disclosures:

GROUP	General	Life	Total 2019	Total 2018
	Insurance business KShs'000	Assurance Business KShs'000		
Reportable segment profits before tax	2,777,479	1,398,715	4,176,194	3,101,850
Income tax expense	(185,346)	(24,469)	(209,815)	(823,568)
Reportable segment profits after tax	<u>2,592,133</u>	<u>1,374,246</u>	<u>3,966,379</u>	<u>2,278,282</u>
Reportable segment total assets	38,845,892	11,517,078	50,362,970	44,362,634
Less:				
: Related party balances	-	-	-	-
Net	<u>38,845,892</u>	<u>11,517,078</u>	<u>50,362,970</u>	<u>44,362,634</u>
Reportable segment total liabilities	13,139,286	5,272,959	18,412,245	15,989,601
Less:				
: Related party balances	-	-	-	-
Net	<u>13,139,286</u>	<u>5,272,959</u>	<u>18,412,245</u>	<u>15,989,601</u>
Fees and commission income	25,222	29,520	54,742	41,229
Depreciation of property and equipment	29,614	4,051	33,665	34,652
Amortisation of intangible assets	179,160	23,653	202,813	142,415
Property and equipment additions	88,919	-	88,919	49,724
Intangible assets additions	(70,960)	(43,492)	(114,452)	194,395
Share of associates profit	587,444	-	587,444	180,865
COMPANY	General	Life	Total	Total
	Insurance	Assurance	2019	2018
	Business	Business		
	KShs'000	KShs'000	KShs'000	KShs'000
Reportable segment profits before tax	2,628,815	1,412,993	4,041,808	3,033,273
Income tax expense	(158,303)	(22,539)	(180,842)	(823,568)
Reportable segment profits after tax	<u>2,470,512</u>	<u>1,390,454</u>	<u>3,860,966</u>	<u>2,209,705</u>
Reportable segment total assets	37,693,431	11,430,573	49,124,004	43,553,214
Less:				
: Related party balances	(85,508)	-	(85,508)	(93,820)
: Investment in subsidiaries	(463,408)	-	(463,408)	(187,782)
Reportable segment total assets-Net	<u>37,144,515</u>	<u>11,430,573</u>	<u>48,575,088</u>	<u>43,271,612</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

5. SEGMENTAL REPORTING (continued)

Other disclosures (continued):

COMPANY (continued)	General	Life	Total 2019 KShs'000	Total 2018 KShs'000
	Insurance Business KShs'000	Assurance Business KShs'000		
Reportable segment total liabilities	11,956,621	5,229,230	17,185,851	15,087,340
Less:				
: Related party balances	<u>(35,938)</u>	<u>-</u>	<u>(35,938)</u>	<u>(43,091)</u>
Net	<u>11,920,683</u>	<u>5,229,230</u>	<u>17,149,913</u>	<u>15,044,248</u>
Fees and commission income	6,327	29,520	35,847	34,421
Depreciation of property and equipment	21,178	4,196	25,374	26,361
Amortisation of intangible assets	177,536	25,277	202,813	142,415
Property and equipment additions	(1,747)		(1,747)	37,940
Intangible assets additions	(70,960)	(43,492)	(114,452)	194,395
Share of associates profit	587,444	-	587,444	180,865

6. PREMIUMS INCOME

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. Short business relates to all other categories of short-term insurance business written by the Group, analysed into several sub-classes of business based on the nature of the assumed risks.

The premium income of the Group can be analysed between the main classes of business as shown below:

	GROUP		COMPANY	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
Long-term business				
Super annuation	1,899,662	1,751,438	1,897,132	1,736,061
Ordinary life	<u>45,342</u>	<u>48,703</u>	<u>45,122</u>	<u>48,703</u>
Total	<u>1,945,004</u>	<u>1,800,141</u>	<u>1,942,254</u>	<u>1,784,764</u>
Short-term business				
Aviation	16,368	31,785	15,221	26,870
Engineering	897,242	884,343	758,570	788,505
Fire	3,583,835	3,783,844	3,139,347	3,307,521
Liability	180,357	207,406	141,323	181,647
Marine	511,603	582,582	443,669	525,540
Motor	763,592	754,979	722,142	695,554
Medical	3,214,139	2,986,865	3,212,360	2,986,284
Agriculture	3,086,570	1,164,592	3,081,110	1,503,476
Bond	245,094	160,088	210,466	139,532
Miscellaneous (incl. Theft)	865,570	412,223	764,652	1,269,676
Oil & Energy	30,582	19,619	30,332	19,619
Political Risks	<u>190,662</u>	<u>1,417,509</u>	<u>183,494</u>	<u>222,756</u>
Total	<u>13,585,614</u>	<u>12,405,835</u>	<u>12,702,686</u>	<u>11,666,980</u>
TOTAL	<u>15,530,618</u>	<u>14,205,976</u>	<u>14,644,940</u>	<u>13,451,744</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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6. PREMIUMS INCOME

RETROCESSION PREMIUMS

The retrocessions premiums of the Group can be analysed between the main classes of business as shown below:

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Aviation	30,627	9,937	30,627	9,937
Engineering	185,214	120,397	55,752	120,397
Fire	280,899	240,743	279,007	240,743
Liability	15,560	-	-	-
Marine*	62,968	31,781	62,968	31,781
Motor	38,586	19,449	-	-
Agriculture	297,747	201,416	297,747	201,416
Miscellaneous (incl. Theft)	21,602	22,095	21,602	22,094
Oil & Energy	-	20,019	-	20,019
Political Risks	45,850	52,425	45,850	52,425
Life business	98,402	105,146	98,402	105,146
TOTAL	1,077,455	823,408	891,955	803,958

*Included in Marine retrocession premiums for 2019 are the premiums relating to Oil & Energy, which were merged on change of the product in the current year.

7. INVESTMENT INCOME

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Rental income from investment properties	880,262	875,408	880,262	875,408
Interest on Government securities held to maturity	1,899,495	1,632,802	1,880,418	1,632,802
Interest income on available for sale Government securities	38,765	129,543	38,376	129,543
Gain on sale of available for sale quoted equity instruments	137,457	201,532	137,457	201,532
Dividends receivable on available- for sale quoted equity instruments	98,849	169,238	98,849	169,238
Interest on commercial mortgages	47,473	51,116	47,473	51,116
Interest on deposits with financial institutions-held to maturity	448,562	250,441	435,129	230,110
Interest on corporate bonds – held to maturity	47,519	57,145	47,519	57,145
Capital Gain on disposal of government securities	93,383	-	93,383	-
Interest on staff mortgages and loans	22,931	18,952	22,764	18,349
Total investment income	3,714,696	3,386,177	3,681,630	3,365,243

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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8. OTHER INCOME

	GROUP		COMPANY	
	2019 KShs '000	2018 KShs '000	2019 KShs '000	2018 KShs '000
COMESA Yellow Card income	44,278	50,464	44,278	50,464
Miscellaneous income	8,691	4,412	8,691	4,412
	<u>52,969</u>	<u>54,876</u>	<u>52,969</u>	<u>54,876</u>

9. CLAIMS AND POLICY HOLDERS BENEFITS EXPENSES

Claims paid	11,187,577	8,953,707	10,842,284	8,665,117
Changes in the provision for outstanding claims incurred but not reported (IBNR)	202,237	265,808	153,051	265,808
Increase in actuarial liability on long term insurance contracts (note 34)	57,907	236,702	57,907	236,702
Gross claims incurred	11,447,721	9,456,217	11,053,242	9,167,627
Less: Amounts recoverable from retrocessionaires	(385,781)	(625,967)	(385,781)	(625,967)
Net claims incurred	<u>11,061,940</u>	<u>8,830,250</u>	<u>10,667,461</u>	<u>8,541,660</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

10 (a). CEDANT ACQUISITION COSTS

CEDANT ACQUISITION COSTS	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Super annuation	586,651	511,161	585,827	510,365
Ordinary life	13,313	25,101	13,313	25,101
Aviation	9,724	7,679	9,471	7,560
Engineering	313,250	291,804	265,887	262,000
Fire	1,066,653	1,143,878	916,910	1,013,161
Liability	58,563	58,650	46,550	51,613
Marine	178,745	173,836	159,107	157,972
Motor	108,403	104,518	106,841	89,252
Medical	821,685	787,339	821,411	787,243
Agriculture	358,058	227,311	356,532	226,707
Bond	100,096	59,606	89,022	53,353
Miscellaneous (incl. Theft)	401,511	425,963	350,588	173,662
Oil & Energy	5,123	4,115	5,076	223,406
Political Risks	70,272	69,294	68,706	68,986
TOTAL	4,092,047	3,890,255	3,795,241	3,650,381
COMMISSIONS RECOVERED		GROUP		COMPANY
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Engineering	63	51	-	51
Fire	10,142	98	2,559	98
Marine	1,697	34	459	34
Motor	1,088	6,807	-	-
Agriculture	10,033	-	2,713	-
Miscellaneous (incl. Theft)	264	-	71	-
Political Risks	1,935	-	525	-
Life business	29,520	34,239	29,520	34,238
TOTAL	54,742	41,229	35,847	34,421

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

	GROUP		COMPANY	
	2019	2018	2019	2018
10 (b). OPERATING AND OTHER EXPENSES	KShs '000	KShs '000	KShs '000	KShs '000
Staff costs	799,235	736,288	717,258	665,453
Depreciation (note 15)	33,665	34,652	27,301	26,361
Amortisation (note 16)	202,813	142,415	202,813	142,415
Auditors' remuneration	13,087	11,615	11,632	11,004
Directors' – emoluments	9,600	8,640	9,600	8,640
Directors' – fees	15,019	16,962	13,605	16,962
Directors' – training	13,439	14,728	13,439	14,728
Rent provisions	46,456	9,570	46,456	9,570
Annual General Meeting expenses	15,776	12,886	15,776	12,886
Investment property direct operating (revenue generating) expenses	206,888	205,463	206,832	204,884
Travel and accommodation	175,839	120,275	166,724	114,021
Advertisement	23,316	14,515	23,316	14,515
Professional and consultancy fees	56,200	42,625	55,160	42,772
Rent and rates	14,731	8,854	12,154	7,417
Hardware and software maintenance	45,464	77,058	45,358	77,017
Donations, sponsorship and CSR activities	25,712	7,949	25,712	7,100
Bank charges	16,345	15,138	12,128	12,888
Indirect tax expenses in subsidiaries	620	1,109	10	-
Foreign currency exchange losses	102,630	291,070	110,740	291,087
Provision for un-reconciled inventory	-	4,828	-	4,828
Other expenses	226,707	243,194	217,654	216,020
	<u>2,043,452</u>	<u>2,019,834</u>	<u>1,926,155</u>	<u>1,900,568</u>
Staff costs consist:				
Salaries and wages	498,143	469,978	451,043	427,422
Retirement benefit costs (note 21)	12,048	7,931	12,048	7,931
Medical expenses	34,428	35,985	33,414	32,029
Leave allowance	56,046	44,519	37,122	33,150
Contribution to National Social Security Fund	754	1,259	373	367
Gratuity accrual	30,505	-	21,823	-
Bonus	73,495	76,417	73,495	72,896
Staff welfare expenses	29,535	37,701	26,570	32,636
Training and recruitment	23,370	24,866	23,117	23,821
Leave pay provision	3,211	2,415	3,382	2,347
Pension contributions to defined contribution scheme	37,700	35,217	34,871	32,854
	<u>799,235</u>	<u>736,288</u>	<u>717,258</u>	<u>665,453</u>
Other expenses consist:				
Motor vehicle running expenses	887	583	436	236
General office expenses	8,112	9,442	7,759	8,925
Marketing expenses	2,767	8,858	2,767	8,858
Corporate and other sundry expenses	214,941	224,311	206,692	198,001
	<u>226,707</u>	<u>243,194</u>	<u>217,654</u>	<u>216,020</u>

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FOR THE YEAR ENDED 31 DECEMBER 2019

11. TAXATION

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
(a) Profit or Loss				
Current tax on the taxable profit for the year	257,441	671,001	228,468	671,001
Prior year under provision	<u>10,484</u>	<u>13,771</u>	<u>10,484</u>	<u>13,771</u>
	<u>267,925</u>	<u>684,772</u>	<u>238,952</u>	<u>684,772</u>
Deferred tax charge (note 37)				
- Current year	(3,490)	138,796	(3,490)	138,796
- Prior year over provision	<u>(54,620)</u>	<u>-</u>	<u>(54,620)</u>	<u>-</u>
	<u>209,815</u>	<u>823,568</u>	<u>180,842</u>	<u>823,568</u>
(b) The Group's current tax charge is computed in accordance with income tax rules applicable to composite insurance and reinsurance companies. A reconciliation of the tax charge is shown below:				
	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Profit before tax	<u>4,176,194</u>	<u>3,101,850</u>	<u>4,041,808</u>	<u>3,033,273</u>
Tax applicable	1,252,858	930,563	1,212,542	909,991
Tax effects of non-taxable income**	(1,037,257)	(331,854)	(1,037,257)	(332,142)
Tax effect of non-deductible expenses*	38,350	211,088	38,350	231,948
Prior year under provision- current tax	10,484	13,771	10,484	13,771
Prior year over provision- deferred tax	<u>(54,620)</u>	<u>-</u>	<u>(54,620)</u>	<u>-</u>
	<u>209,815</u>	<u>823,568</u>	<u>180,842</u>	<u>823,568</u>
Attributable to:				
Long term business	463,645	232,446	463,645	232,446
Short term business	<u>(253,829)</u>	<u>591,122</u>	<u>(282,802)</u>	<u>591,122</u>
	<u>209,815</u>	<u>823,568</u>	<u>180,842</u>	<u>823,568</u>
(c) Statement of financial position				
At 1 January	(441,976)	(126,869)	(410,957)	(95,853)
Charge for the year	257,441	684,772	228,468	684,772
Under provision in prior year	10,484	-	10,484	-
Paid in the year	<u>(410,389)</u>	<u>(999,879)</u>	<u>(393,713)</u>	<u>(999,876)</u>
At 31 December	<u>(584,440)</u>	<u>(441,976)</u>	<u>(565,720)</u>	<u>(410,957)</u>

* These expenses are valuation fees, fringe benefit tax, excess pension contributions, loss on valuation of shares etc.

** These incomes are Fair value gains from investment property, share of profit from associate, dividend income net of withholding tax and interest on infrastructure bond among others.

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12. EARNINGS PER SHARE (EPS)

Earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year.

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Profit attributable to shareholders	3,966,379	2,278,282	3,860,966	2,209,705
Weighted average number of ordinary shares in issue	<u>1,557,147</u>	<u>1,557,147</u>	<u>1,557,147</u>	<u>1,557,147</u>
Basic and diluted earnings per share	<u>2.55</u>	<u>1.46</u>	<u>2.48</u>	<u>1.42</u>

There were no potentially dilutive shares outstanding at 31 December 2019 and 2018. The diluted earnings per share is therefore the same as the basic earnings per share.

13. SHARE CAPITAL

(i) Authorized: share capital		2019	2018
		KShs '000	KShs '000
3,200,000,000 ordinary shares of KShs 2.50 each		<u>8,000,000</u>	<u>2,000,000</u>
(2018-800,000,000 ordinary shares of KShs 2.50 each)			
(ii) Issued and fully paid	Number of shares	2019	2018
		KShs '000	KShs '000
At 01 January	699,949,068	1,749,873	1,749,873
Bonus share issues at One(1) to Three(3) shares	<u>2,099,847,204</u>	<u>5,249,618</u>	-
At 31 December	<u>2,799,796,272</u>	<u>6,999,491</u>	<u>1,749,873</u>

The Corporation issued Bonus share at one (1) to three (3) in the year 2019 by Capitalisation of retained earnings. This was mainly to enable the Corporation to continue underwriting business in Egypt market where they had revised the capital requirement for the reinsurance company to trade in Egypt.

14. RETAINED EARNINGS

The retained earnings balance represents the amounts available for distribution to the shareholders of the Group, except for cumulative fair value gains on the Group's investment properties amounting to KShs 8,097,224,133 (2018: KShs 7,826,795,000) whose distribution is subject to restrictions imposed by legislation.

KENYA REINSURANCE CORPORATION LIMITED
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15. PROPERTY AND EQUIPMENT

GROUP	Motor vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Total KShs'000
2019				
COST				
At 1 January 2019	49,511	144,598	121,579	315,688
Additions	-	17,847	13,106	30,953
At 31 December 2019	49,511	162,445	134,685	346,641
ACCUMULATED DEPRECIATION				
At 1 January 2019	29,790	99,615	94,652	224,057
Charge for the year	8,861	17,956	6,848	33,665
At 31 December 2019	38,651	117,571	101,500	257,722
CARRYING AMOUNT				
At 31 December 2019	10,860	44,874	33,185	88,919
31 DECEMBER 2019				
2018				
COST				
At 1 January 2018	40,122	109,481	116,361	265,964
Additions	9,389	35,117	5,218	49,724
At 31 December 2018	49,511	144,598	121,579	315,688
ACCUMULATED DEPRECIATION				
At 1 January 2018	19,773	87,594	82,038	189,405
Charge for the year	10,017	12,021	12,614	34,652
At 31 December 2018	29,790	99,615	94,652	224,057
CARRYING AMOUNT				
At 31 December 2018	19,721	44,983	26,927	91,631

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

15. PROPERTY AND EQUIPMENT (continued)

COMPANY	Motor vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Total KShs'000
2019				
COST				
At 1 January 2019	26,803	139,177	108,155	274,135
Additions	-	17,743	7,811	25,554
At 31 December 2019	<u>26,803</u>	<u>156,920</u>	<u>115,966</u>	<u>299,689</u>
ACCUMULATED DEPRECIATION				
At 1 January 2019	19,460	97,036	89,098	205,594
Charge for the year	4,895	17,002	5,404	27,301
At 31 December 2019	<u>24,355</u>	<u>114,038</u>	<u>94,502</u>	<u>232,895</u>
CARRYING AMOUNT				
At 31 December 2019	<u>2,448</u>	<u>42,882</u>	<u>21,464</u>	<u>66,794</u>
COMPANY				
2018				
COST				
At 1 January 2018	26,803	106,972	102,420	236,195
Additions	-	32,205	5,735	37,940
At 31 December 2018	<u>26,803</u>	<u>139,177</u>	<u>108,155</u>	<u>274,135</u>
ACCUMULATED DEPRECIATION				
At 1 January 2018	14,565	86,355	78,313	179,233
Charge for the year	4,895	10,681	10,785	26,361
At 31 December 2018	<u>19,460</u>	<u>97,036</u>	<u>89,098</u>	<u>205,594</u>
CARRYING AMOUNT				
At 31 December 2018	<u>7,343</u>	<u>42,141</u>	<u>19,057</u>	<u>68,541</u>

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

16. INTANGIBLE ASSETS - GROUP and COMPANY

	Computer Software KShs'000	Capital WIP KShs'000	Total KShs'000
31 DECEMBER 2019			
COST			
At 1 January 2019	879,805	-	879,805
Additions	88,362	-	88,362
Transfer from W.I.P	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019	<u>968,167</u>	<u>-</u>	<u>968,167</u>
AMORTISATION			
At 1 January 2019	291,550	-	291,550
Charge for the year	<u>202,813</u>	<u>-</u>	<u>202,813</u>
At 31 December 2019	<u>494,363</u>	<u>-</u>	<u>494,363</u>
NET CARRYING AMOUNT			
At 31 December 2019	<u>473,804</u>	<u>-</u>	<u>473,804</u>
31 DECEMBER 2018			
COST			
At 1 January 2018	260,384	425,027	685,411
Additions	-	194,395	194,395
Transfer from W.I.P	<u>619,422</u>	<u>(619,422)</u>	<u>-</u>
At 31 December 2018	879,806	-	879,806
AMORTISATION			
At 1 January 2018	149,289	-	149,289
Charge for the year	<u>142,261</u>	<u>-</u>	<u>142,261</u>
At 31 December 2018	<u>291,550</u>	<u>-</u>	<u>291,550</u>
NET CARRYING AMOUNT			
	<u>588,256</u>	<u>-</u>	<u>588,256</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

17. MORTGAGE LOANS

	GROUP		COMPANY	
	2019 KShs '000	2018 KShs '000	2019 KShs '000	2018 KShs '000
Staff mortgages	454,382	445,392	445,072	415,705
Commercial mortgages	<u>369,407</u>	<u>426,874</u>	<u>369,408</u>	<u>447,249</u>
	823,789	872,266	814,479	862,954
Less: impairment provision	<u>(146,404)</u>	<u>(146,404)</u>	<u>(146,404)</u>	<u>(146,404)</u>
	<u>677,385</u>	<u>725,862</u>	<u>668,075</u>	<u>716,550</u>
Maturity analysis:				
Within 1 year	1,789	648	1,789	1,890
Within 1 to 5 years	78,636	99,520	78,636	99,520
Over 5 years	<u>596,960</u>	<u>625,694</u>	<u>587,650</u>	<u>615,140</u>
	<u>677,385</u>	<u>725,862</u>	<u>668,075</u>	<u>716,550</u>
Impairment provision analysis:				
Balance brought forward	146,404	135,917	146,404	135,917
Additional provision	<u>-</u>	<u>10,487</u>	<u>-</u>	<u>10,487</u>
Balance carried forward	<u>146,404</u>	<u>146,404</u>	<u>146,404</u>	<u>146,404</u>

The weighted average effective interest rate on the mortgages was 10.5% (2018 – 10.31%). Mortgage loans are fully secured.

KENYA REINSURANCE CORPORATION LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2019

18. INVESTMENT PROPERTIES – GROUP AND COMPANY

	Reinsurance Plaza Nairobi L.R. No. 209/8770	Reinsurance Plaza Kisumu- Kisumu Municipality/Block 7/378	Anniversary Towers Nairobi -LR No. 209/9744	Kenya Re Towers Nairobi- LR No. 209/11260	Upper Hill Plot -L.R. No.209/12922	JKIA Plot- LR No. 9042/222	Mbagathi plot- L.R no:209/11976	Total
2018								
At 1 January	2,700,000	911,800	2,785,000	1,590,200	975,000	660,000	-	9,622,000
Additions	44,625	4,487	16,588	14,639	5,450	-	-	85,789
Fair value gains	<u>105,375</u>	<u>38,713</u>	<u>148,412</u>	<u>70,161</u>	<u>4,550</u>	<u>30,000</u>	-	<u>397,211</u>
At 31 December	<u>2,850,000</u>	<u>955,000</u>	<u>2,950,000</u>	<u>1,675,000</u>	<u>985,000</u>	<u>690,000</u>	-	<u>10,105,000</u>
2019								
At 1 January	2,850,000	955,000	2,950,000	1,675,000	985,000	690,000	-	10,105,000
Additions	77,748	1,536	7,770	6,183	5,321	-	-	98,558
Fair value gains	57,252	23,464	112,230	68,817	9,679	10,000	1,895,150	2,176,592
Disposals in the year	-	-	-	-	-	-	(300,150)	(300,150)
At 31 December 2019	<u>2,985,000</u>	<u>980,000</u>	<u>3,070,000</u>	<u>1,750,000</u>	<u>1,000,000</u>	<u>700,000</u>	<u>1,595,000</u>	<u>12,080,000</u>

- The revalued properties consist of office properties situated in Nairobi and Kisumu held to earn rentals and/or capital appreciation and land acquired for development of office buildings and housing projects for rental and/or capital appreciation.
- The valuation of investment properties was carried out by Caroline N. Nyororo - P/No. 0002566 of Ebony Estates Limited, professional independent valuers as at 31 December 2019.
- Fair value of the properties was determined using the open market basis and depreciated replacement cost method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.
- Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss.

*Mbagathi plot- L.R no:209/11976 had a NIL carrying amount owing to existing disputes and was included as part of the fully provided for inventory property in note 42. However, after all the disputes relating to the properties were resolved with the National Lands Commission (NLC), This has been recognised as part of the investment properties in the current year. The land was valued at KShs 1.895 billion. The company disposed a portion of the land worth KShs 300million to Kenya Urbans Roads Authority for road construction.

Future minimum rentals receivable under non-cancellable operating leases

The Group has entered into operating leases on its investment property portfolio consisting of certain office buildings. These leases have terms of 6 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

18. INVESTMENT PROPERTIES – GROUP AND COMPANY (continued)

The total contingent rents recognised as income during the year is KShs million 880 (2018: KShs 875 million). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2019	2018
	KShs'000	KShs'000
Not later than one year	18,791	2,372
Later than 1 year but not later than 5 years	1,931,072	2,193,636
Later than 5 years	<u>438,381</u>	<u>1,089,647</u>
	<u>2,388,244</u>	<u>3,285,655</u>

19. INVESTMENT IN ASSOCIATE – GROUP AND COMPANY

The group has a 19.17% interest in ZEP-Re (PTA Reinsurance) Company, a reinsurance company that underwrites all classes of life and non-life reinsurance risks. ZEP Re Limited is a private entity that is not listed on any public exchange. The Group's interest ZEP Re Limited is accounted for using the equity method in the both separate and consolidated financial statements.

	2019	2018
	KShs '000	KShs '000
At 1 January	4,473,962	4,399,320
Share of profit for the year	587,444	180,865
Less: dividends - received in cash	-	(96,283)
- receipt of additional shares	<u>48,815</u>	<u>-</u>
	<u>5,110,221</u>	<u>4,483,902</u>
Share of revaluation reserve	1,812	401
Share of fair value reserve	99,275	35,649
Currency translation adjustment	7,415	(45,990)
capitalisation of dividends	<u>(48,815)</u>	<u>-</u>
	<u>59,687</u>	<u>(9,940)</u>
Net carrying amount of the investment	<u>5,169,908</u>	<u>4,473,962</u>

Summary financial information for ZEP-Re

The presentation and functional currency for ZEP-Re is US Dollars. The following exchange rates have been applied in converting the balances to Kenya shillings:

	2019	2018
	KShs	KShs
Closing rate	101.34	101.85
Average rate	102.01	101.30
Ownership	<u>19.17%</u>	<u>19.13%</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT IN ASSOCIATE – GROUP AND COMPANY (continued)

Summary financial information for ZEP-Re

	2019	2018
	KShs'000	KShs'000
Current assets	17,505,462	14,874,273
Non- current assets	26,429,317	23,485,054
Current liabilities	(64,751)	(70,850)
Non- current liabilities	<u>(17,155,219)</u>	<u>(14,901,328)</u>
Equity	<u>26,714,809</u>	<u>23,387,149</u>
Group's share of net assets of associate	<u>5,169,908</u>	<u>4,473,962</u>
Total Income	18,870,293	15,020,362
Total expense	15,802,699	14,074,909
Profit	3,067,594	945,453
Other incomprehensive Income	527,870	(293,359)
Total Comprehensive Income	3,595,464	652,094
Group's share of profit for the year	<u>587,444</u>	<u>180,865</u>

* The associate company is exempt from all forms of taxation.

20. INVESTMENT IN SUBSIDIARIES -COMPANY

Details of the company's subsidiaries at the end of the reporting year are as follows:

	Country of incorporation	Proportion of ownership interest and voting power held at		Investment at cost:	
		2019	2018	2019	2018
				KShs '000	KShs '000
Kenya Reinsurance Corporation Côte d'Ivoire	Ivory Coast	100%	100%	4,186	4,186
Kenya Reinsurance Corporation Zambia	Zambia	100%	100%	183,596	183,596
Kenya Reinsurance Corporation Uganda limited	Uganda	100%	-	<u>275,626</u>	<u>-</u>
				<u>463,408</u>	<u>187,782</u>

The primary business of the three subsidiaries is reinsurance.

21. RETIREMENT BENEFIT OBLIGATION– GROUP and COMPANY

Defined Benefit Scheme

The Company operates a defined benefit pension plan for some of its employees. The Company's defined benefit pension plan is a final salary plan for its employees, which requires contributions to be made to a separately administered fund.

The Fund is registered under irrevocable trust with the Retirement Benefits Authority, which requires final salary payments to be adjusted for the consumer price index upon payment during retirement. The Retirement Benefits Act, 1997 and the Regulations under the Act require the Fund to maintain a funding level of 100%. Where the funding level is below 100%, such deficits are required to be amortised over a period not exceeding 6 years.

The level of benefits provided depends on the member's length of service and salary at retirement age. Scheme members' contributions are a fixed percentage of pensionable pay with the Corporation responsible for the balance of the cost of benefits accruing.

21. RETIREMENT BENEFIT OBLIGATION– GROUP and COMPANY (continued)

The Fund is managed by a Board of Trustees. The Board of Trustees is responsible for the overall operation and investments of the Fund. The Board of Trustees decides the investment portfolio mix based on the results of this annual review. Generally, it aims to have a portfolio mix of a variety of asset classes comprising quoted equities, government securities, property and shares.

The weighted average duration of the liability as at 31 December 2019 is 3.0 (2018: 3.6).

During the reading of the budget statement for 2017/2018 by the Cabinet Secretary, National Treasury, amendments to the Retirement Benefit Regulations now provide for an equal 50/50 sharing of surplus between members and the Fund sponsor upon wind up of a Fund.

Effective 30 September 2010, the Fund was closed to new entrants and to future accrual of benefits and a new defined contribution plan ('DC Plan') was established in respect of new entrants and existing in-service members who opted to join the new DC Plan. As part of the terms of closure of the Fund, active in-service members and pensioners (including deferred pensioners) were entitled to annual pension increases of 3% per annum. Further, for existing in-service members, members' pensionable salaries for the purpose of determining their retirement or earlier benefits will increase at the lower of the actual increase granted and 5% per annum.

The major categories of plan assets of the fair value of the total plan assets are, as follows:

Asset Class	2019		2018	
	Amount KShs'000	Proportion %	Amount KShs'000	Proportion %
Quoted equity investments	128,002	17.95	126,676	19.7
Fixed deposits, commercial papers and government securities	414,928	58.2	350,203	54.5
Net current assets	-	-	(4,154)	(0.6)
Properties and other fixed assets	170,000	23.85	170,000	26.4
Total	712,930	100	642,725	100

Sensitivity of the Scheme:

The scheme is more sensitive to changes in the financial assumptions than changes in the demographic assumptions. In assessing sensitivity analysis of the scheme to the discount rate used, the duration of the liability was considered. The results of the sensitivity analysis are summarized in the table below:

	Current Discount Rate (13% per annum) KShs'000	Discount Rate less (13% per annum) KShs'000
Present Value of Obligation at 31 December 2019	840,559	869.8

As the bulk of the benefits payable under the Fund are salary related, the sensitivity of the liability to a change in the salary escalation assumption is not expected to be materially different. However, the impact of a change in salary escalation is expected to be less than the impact of a change in the discount rate as a portion of the liabilities would not be affected by a change in the salary escalation rate.

GROUP AND COMPANY	2019 KShs '000	2018 KShs '000
The actuarial valuation results were as follows:		
Present value of funded obligations	(840,559)	(698,187)
Fair value of scheme assets	712,930	642,725
Net (liability) in the statement of financial position	(127,629)	(55,462)
Movement in present value of funded obligation:		
As at 1 January	698,187	681,347
Current service costs	4,543	4,574
Interest cost	89,028	80,779
Actuarial gain/(loss)	80,052	(25,486)
Benefits payment	(31,251)	(43,027)
At 31 December	840,559	698,187

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

21. RETIREMENT BENEFIT OBLIGATION – GROUP and COMPANY (continued)

Defined benefit scheme (continued)

	2019	2018
	KShs '000	KShs '000
Movement in fair value of plan assets		
As at 1 January	642,725	656,121
Interest income on plan assets	81,523	77,422
Return on plan assets (excluding amount in interest income)	19,933	(47,791)
Benefits and expenses paid	<u>(31,251)</u>	<u>(43,027)</u>
At 31 December	<u>712,930</u>	<u>642,725</u>
Movement in net assets		
As at 1 January	(55,462)	(25,226)
Net expense recognised in profit or loss	(12,048)	(7,931)
Net charge recognised in other comprehensive income	<u>(60,119)</u>	<u>(22,305)</u>
At 31 December	<u>(127,629)</u>	<u>(55,462)</u>
Amount recognised in profit or loss:		
Current service cost net of employees' contributions	4,543	4,574
Net interest on obligation and plan assets	<u>7,505</u>	<u>3,357</u>
Total included in "staff costs" in respect of scheme	<u>12,048</u>	<u>7,931</u>
Amount recognised in other comprehensive income:		
Actuarial gains/(loss)	80,052	(25,486)
Return on plan assets (excluding amount in interest income)	<u>(19,933)</u>	<u>47,791</u>
Total charge /(credit) to other comprehensive income	<u>60,119</u>	<u>22,305</u>
Actuarial assumptions		
Discount rate (% p.a.)	13%	13%
Future salary increases (% p.a.)	5%	5%
Future pension increases (% p.a.)	3%	3%
Retirement age (years)	<u>55</u>	<u>55</u>

Defined contribution scheme

The Company also makes contributions to a statutory provident fund, the National Social Security Fund (NSSF). Contributions are determined by local statute. For the year ended 31 December 2019, the Group contributed KShs 37,700,000 (2018 – KShs 35,271,000) to the defined contribution pension scheme and KShs 754,000 (2018 – KShs 2,500,000) for NSSF which has been charged to the statement of profit or loss. The Company contributed KShs 34,871,000 (2018 – KShs 32,854,000) to the defined contribution pension scheme and KShs 373,000 (2018 – KShs 532,000) to the NSSF.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

22. UNQUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
At cost				
At 1 January	202,231	202,231	202,231	202,231
Addition	3,502	-	3,502	-
At 31 December	<u>205,733</u>	<u>202,231</u>	<u>205,733</u>	<u>202,231</u>
Share holding				
Industrial Development Bank	3.5%	24,474	24,474	24,474
Africa Reinsurance Limited	0.2%	38,993	35,491	35,491
African Trade Insurance Agency	0.6%	87,506	87,506	87,506
Uganda Reinsurance Company Limited	11.5%	<u>54,760</u>	<u>54,760</u>	<u>54,760</u>
		<u>205,733</u>	<u>202,231</u>	<u>202,231</u>

The above unquoted instruments relate to investments in the financial markets, notably the banking and insurance sectors. The unquoted equities are not actively traded and management does not intend to dispose them in the immediate future.

The fair value measurement of the above unquoted equity instruments have not been disclosed. The carrying amounts of the above financial instruments amounting to KShs. 205 million (2018: KShs.202 million) may therefore differ from their fair values. The valuation has not been done by management because the significant inputs that would be used by management for the valuation are not based on observable market data neither does management hold any recent price quotations of all of the above investments. Management would therefore be required to make significant judgements and assumptions, which may or may not result in correct fair value measurements.

The instruments have therefore been stated at cost less any impairment loss in the year.

23. CORPORATE BONDS-HELD TO MATURITY

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	475,912	482,696	475,912	482,696
Redemptions during the year	(305,925)	(5,925)	(305,925)	(5,925)
Interest received	(61,056)	(58,004)	(61,056)	(58,004)
Interest earned	47,519	57,145	47,519	57,145
	156,450	475,912	156,450	475,912
	GROUP		COMPANY	
	2019	2018	2019	2018
Made up as below:				
Centum Investment Ltd	08-Jun-20	81,030	81,030	81,030
NCBA Bank Kenya PLC	20-Dec-20	75,420	283,093	283,093
KENGEN Limited	31-Oct-19	-	6,110	6,110
Consolidated Bank of Kenya Limited	24-Jul-19	-	105,679	105,679
		<u>156,450</u>	<u>475,912</u>	<u>475,912</u>

The average effective interest rate on the corporate bonds at 31 December 2019 was 8 % (2018: 12 %).

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

24. RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Local companies	2,190,612	1,846,692	2,190,612	1,846,691
International companies	3,182,911	3,831,077	2,339,711	3,154,651
Less: provision for doubtful receivable	(2,748,021)	(2,004,593)	(2,453,899)	(1,705,142)
	<u>2,625,502</u>	<u>3,673,176</u>	<u>2,076,424</u>	<u>3,296,200</u>

The movement in provisions is as below:

Balance brought forward	(2,004,593)	(1,580,448)	(1,705,142)	(1,346,664)
Additional provision	(743,428)	(424,145)	(748,757)	(358,478)
Balance carried forward	<u>(2,748,021)</u>	<u>(2,004,593)</u>	<u>(2,453,899)</u>	<u>(1,705,142)</u>

25. PREMIUM AND LOSS RESERVES

International companies	567,066	962,727	388,694	806,580
Local companies	69,438	52,920	69,439	52,920
Provision for impaired balances	(354,536)	(743,992)	(299,313)	(688,769)
	<u>281,968</u>	<u>271,655</u>	<u>158,820</u>	<u>170,731</u>

The movement in provisions is as below:

At 1 January	(743,992)	(743,992)	(688,769)	(688,769)
Write off during the year	<u>389,456</u>	<u>-</u>	<u>389,456</u>	<u>-</u>
At 31 December	<u>(354,536)</u>	<u>(743,992)</u>	<u>(299,313)</u>	<u>(688,769)</u>

Reconciliation of provisions in the statement of profit or loss is as below:

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Provision on receivables arising out of reinsurance arrangements (note 25)	(743,428)	(424,145)	(748,757)	(358,478)
Provision on premium and loss reserves	-	-	-	-
At 31 December	<u>(743,428)</u>	<u>(424,145)</u>	<u>(748,757)</u>	<u>(358,478)</u>

26. OTHER RECEIVABLES

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Staff advances	55,221	65,707	42,869	56,424
Prepayments	7,996	8,371	5,620	7,141
Gross rental receivables	306,461	245,136	306,461	245,136
Dividends receivable	-	799	-	799
Receivable from KURA*	300,150	-	300,150	-
Other receivables	12,404	2,168	5,701	-
Rental receivables provisions	(143,831)	(97,375)	(143,831)	(97,375)
	<u>538,401</u>	<u>224,806</u>	<u>516,970</u>	<u>212,125</u>

KURA* -Kenya Urbans Roads Authority. Refer to note 18 for more details

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

26. OTHER RECEIVABLES (continued)

The movement in Rental receivables provisions is as below:

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	(97,375)	(87,805)	(97,375)	(87,805)
Additional provision	(46,456)	(9,570)	(46,456)	(9,570)
At 31 December	<u>(143,831)</u>	<u>(97,375)</u>	<u>(143,831)</u>	<u>(97,375)</u>

Other trade receivables are non-interest bearing and generally on terms of 30 to 120 days.

27. QUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

GROUP and COMPANY	2019	2018
	KShs '000	KShs '000
At 1 January	1,599,431	2,107,855
Additions	152,911	79,447
Fair value gain loss	(53,952)	(328,495)
Disposal during the year	<u>(133,085)</u>	<u>(259,376)</u>
At 31 December	<u>1,565,305</u>	<u>1,599,431</u>

28. GOVERNMENT SECURITIES– GROUP and COMPANY

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	14,314,752	14,562,840	14,314,752	14,562,840
Purchases during the year	11,347,232	7,117,235	11,226,222	7,117,235
Maturities during the year	(8,739,837)	(7,375,788)	(8,739,837)	(7,375,788)
Fair value gain on available-for-sale government securities	69,316	46,849	69,316	46,849
Interest received	(1,816,782)	(1,798,729)	(1,816,782)	(1,798,729)
Interest earned ⁵	<u>1,938,260</u>	<u>1,762,345</u>	<u>1,918,794</u>	<u>1,762,345</u>
	<u>17,112,941</u>	<u>14,314,752</u>	<u>16,972,465</u>	<u>14,314,752</u>
Maturing:				
Within 3 months	-	-	-	-
Within 4 to 12 months	756,793	362,759	756,793	362,759
Within 1 to 5 years	3,524,064	4,567,685	3,524,064	4,567,685
Over 5 years	<u>12,832,084</u>	<u>9,384,308</u>	<u>12,691,608</u>	<u>9,384,308</u>
At 31 December	<u>17,112,941</u>	<u>14,314,752</u>	<u>16,972,465</u>	<u>14,314,752</u>

Treasury bonds amounting to KShs 2,319,550,000 (2018 – KShs 2,319,550,000) are held under lien by the Commissioner of Insurance as required by the Kenyan Insurance Act. The weighted average effective interest rate on the government securities was 12.25% (2018 – 10.80 %).

29. INVENTORY

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
As 31 December	<u>22,071</u>	<u>13,590</u>	<u>21,973</u>	<u>13,492</u>

Inventories comprise stationery and repair materials.

⁵ interest income recognised in Total profit or loss from investments in Government securities amounted to KShs 1,938,260 (2018: KShs 1,762,345) of which KShs 38,765 (2018: KShs 129,543) related to those held as available for sale.

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30. DEFERRED ACQUISITION COSTS

	GROUP		COMPANY	
	2019 KShs '000	2018 KShs '000	2019 KShs '000	2018 KShs '000
At 1 January	1,363,134	1,408,301	1,249,752	1,318,322
Deferred during the year	1,408,838	1,363,134	1,285,548	1,249,752
Amortized during the year	<u>(1,363,134)</u>	<u>(1,408,301)</u>	<u>(1,249,752)</u>	<u>(1,318,322)</u>
At 31 December	<u>1,408,838</u>	<u>1,363,134</u>	<u>1,285,548</u>	<u>1,249,752</u>

31. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2019 KShs '000	2018 KShs '000	2019 KShs '000	2018 KShs '000
Deposit with financial institutions	6,691,760	5,459,225	6,143,257	5,212,505
Deposit with offshore fund managers	<u>94,875</u>	<u>-</u>	<u>94,875</u>	<u>-</u>
	<u>6,786,635</u>	<u>5,459,225</u>	<u>6,238,132</u>	<u>5,212,505</u>

The weighted average effective interest rate on deposits with financial institutions was 5.7 % (2018-4.2%).

32. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2019 KShs '000	2018 KShs '000	2019 KShs '000	2018 KShs '000
Cash and bank balances	<u>584,670</u>	<u>338,035</u>	<u>352,968</u>	<u>161,216</u>

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	GROUP		COMPANY	
	2019 KShs '000	2018 KShs '000	2019 KShs '000	2018 KShs '000
Short term bank deposits	6,786,635	5,459,225	6,238,132	5,212,505
Cash and bank balances	<u>584,670</u>	<u>338,035</u>	<u>352,968</u>	<u>161,216</u>
	<u>7,371,305</u>	<u>5,797,260</u>	<u>6,591,100</u>	<u>5,373,721</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

33. LONG TERM REINSURANCE LIABILITIES- GROUP and COMPANY

The long term reinsurance liabilities, which comprise Ordinary Life Fund and Superannuation Fund, were established in respect of the Company's long-term business as required under Section 45 of the Kenyan Insurance Act. Income arising from the investment of the assets of the statutory funds is credited to and forms part of these funds. Transfers from the statutory funds to the profit or loss are done upon the recommendation of the Actuary. The latest actuarial valuation of the life fund was carried out by Zamara Actuaries, Administrators & Consultants Limited, consulting actuaries as at 31 December 2019.

Reconciliation of statutory fund to the actuarial surplus

The actuarial surplus resulting from the actuarial valuation carried out by the Consulting Actuaries as at 31 December 2019 is summarised as follows:

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Life fund	10,701,725	8,859,835	10,658,949	8,800,851
Less: actuarial value of policy holder liabilities	(2,687,032)	(2,629,125)	(2,687,032)	(2,629,125)
Actuarial surplus	8,014,693	6,230,710	7,971,917	6,171,726
Less deferred tax liability (note 36)	(2,260,510)	(1,850,773)	(2,260,510)	(1,850,773)
Statutory reserve	<u>5,754,183</u>	<u>4,379,937</u>	<u>5,711,407</u>	<u>4,320,953</u>

The movement in the actuarial value of policy holder liabilities is as follows:

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
As at 1 January	2,629,125	2,392,423	2,629,125	2,392,423
Increase during the year	<u>57,907</u>	<u>236,702</u>	<u>57,907</u>	<u>236,702</u>
	<u>2,687,032</u>	<u>2,629,125</u>	<u>2,687,032</u>	<u>2,629,125</u>

Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2019 are summarised below. The same assumptions were used in 2018.

(i) Actuarial basis and method of valuation

The Company underwrites both treaty and mandatory cessions business. Compulsory cessions ordinary life business is written on a risk premium basis. Accordingly, this business can be viewed as a series of one year renewable term assurances reinsured on guaranteed risk premium rates and valued as such. Therefore, the actuarial reserves have been established as a proportion of gross annual premiums written. Each type or class of ordinary life business has been valued as a different percentage of annual office premiums written.

The actuary has established actuarial reserves of 95% of the gross annual premiums written for all types of compulsory cessions ordinary life business at the valuation date.

Treaty business and Company life business actuarial reserves has been established to 95% of the annual premiums at the valuation date. For supplementary benefits, the actuarial reserve has been established to equal to 100% of annual premiums at the valuation date.

In addition to establishing actuarial reserves for ordinary life business, Company life business and supplementary benefits additional actuarial reserves namely AIDS reserve, claims equalisation reserve and contingency reserve have been established.

(ii) Investment returns

The rate of return on the life fund assets in 2019 was 12.4 % per annum (2018 – 7.4% per annum).

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

34. SHORT TERM INSURANCE CONTRACT LIABILITIES

GROUP

YEAR 2019	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
As at 1 January 2019	6,785,111	(782,165)	6,002,946
Movement	<u>(183,269)</u>	<u>385,506</u>	<u>202,327</u>
As at 31 December 2019	<u>6,601,842</u>	<u>(396,659)</u>	<u>6,205,183</u>
YEAR 2018			
As at 1 January 2018	5,980,320	(288,804)	5,691,516
Movement	<u>804,791</u>	<u>(493,361)</u>	<u>311,430</u>
As at 31 December 2018	<u>6,785,111</u>	<u>(782,165)</u>	<u>6,002,946</u>

COMPANY

YEAR 2019

As at 1 Jan 2019	6,245,803	(691,963)	5,553,840
Movement	<u>(187,274)</u>	<u>340,325</u>	<u>153,051</u>
As at 31 Dec 2019	<u>6,058,529</u>	<u>(351,638)</u>	<u>5,706,891</u>

YEAR 2018

As at 1 Jan 2018	5,554,703	(288,804)	5,265,899
Movement	<u>691,100</u>	<u>(403,159)</u>	<u>287,941</u>
As at 31 Dec 2018	<u>6,245,803</u>	<u>(691,963)</u>	<u>5,553,840</u>

The Chain Ladder method and the Bornhuetter Ferguson method were used to project the claim reserves. Gross paid claims were used for all projections. The net IBNR was then calculated using historical reinsurance recoveries over the last three years.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

34. SHORT TERM INSURANCE CONTRACT LIABILITIES (continued)

The claims development for the above insurance liabilities is shown below:

Claims development

GROUP

Accident Year	2015 KShs '000	2016 KShs '000	2017 KShs '000	2018 KShs '000	2019 KShs '000	Total KShs '000
At the end of accident year	2,840,919	3,670,513	3,443,000	5,231,076	1,862,723	17,048,230
One year later	1,701,880	1,967,745	2,144,376	5,273,759	-	11,087,760
Two years later	800,624	268,953	1,486,407	-	-	2,555,985
Three years later	126,984	385,886	-	-	-	512,870
Four years later	298,525	-	-	-	-	298,525
Five years later	-	-	-	-	-	-
Current estimate of cumulative claims	6,318,165	6,825,143	8,809,759	12,140,883	3,614,603	37,708,553
Less: cumulative payments to date	(5,768,932)	(6,293,097)	(7,073,783)	(10,504,835)	(1,862,723)	(31,503,370)
Total net liability included in the statement of financial position	<u>549,233</u>	<u>532,046</u>	<u>1,735,976</u>	<u>1,636,048</u>	<u>1,751,880</u>	<u>6,205,183</u>

COMPANY

Accident Year	2015 KShs '000	2016 KShs '000	2017 KShs '000	2018 KShs '000	2019 KShs '000	Total KShs '000
At the end of accident year	2,805,571	3,654,188	3,361,934	5,107,836	1,820,836	16,750,366
One year later	1,659,111	1,892,190	2,085,616	5,179,043	-	10,815,960
Two years later	774,995	232,820	1,383,922	-	-	2,391,737
Three years later	124,568	369,478	-	-	-	494,046
Four years later	294,776	-	-	-	-	294,776
Five years later	-	-	-	-	-	-
Current estimate of cumulative claims	6,207,549	6,678,188	8,517,004	11,834,656	3,216,377	36,453,775
Less: cumulative payments to date	(5,659,021)	(6,148,677)	(6,831,471)	(10,286,879)	(1,820,836)	(30,746,885)
Total net liability included in the statement of financial position	<u>548,528</u>	<u>529,512</u>	<u>1,685,533</u>	<u>1,547,777</u>	<u>1,395,541</u>	<u>5,706,891</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

35. PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS-OUTSTANDING CLAIMS

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Local companies	397,870	212,563	397,870	212,563
International companies	1,410,004	336,903	1,167,062	228,048
	<u>1,807,874</u>	<u>549,466</u>	<u>1,564,931</u>	<u>440,611</u>

36. DEFERRED TAX LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30%.

The net deferred tax liability is attributable to the following items:

GROUP and COMPANY	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Excess depreciation over capital allowances	(92,746)	137,362	(92,746)	137,362
Leave pay provision	(11,284)	(9,887)	(11,284)	(9,887)
Defined benefit liability	(12,783)	9,169	(12,783)	9,169
Other provisions	(43,921)	(42,413)	(43,921)	(42,413)
Bad debts provisions	(964,705)	(861,222)	(964,705)	(861,222)
Provision for bonus	(44,056)	-	(44,056)	-
Gratuity	(6,728)	-	(6,728)	-
Tax loss	(41,942)	-	(58,614)	-
	<u>(1,218,165)</u>	<u>(766,991)</u>	<u>(1,234,837)</u>	<u>(766,991)</u>
Life fund actuarial surplus	2,260,510	1,850,773	2,260,510	1,850,773
Net deferred tax liability	<u>1,042,345</u>	<u>1,083,782</u>	<u>1,025,673</u>	<u>1,083,782</u>

The movement on the deferred tax account during the year was as follows:

At 1 January	1,083,783	944,986	1,083,783	944,986
Change for the year (note 11)	13,182	138,797	(3,490)	138,797
Prior year over provision (note 11)	(54,620)	-	(54,620)	-
At 31 December	<u>1,042,345</u>	<u>1,083,783</u>	<u>1,025,673</u>	<u>1,083,783</u>

37. OTHER PAYABLES

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Purchasers deposits	18,883	18,432	18,883	18,432
Legal fees deposits	-	1,238	-	1,238
Rental deposits	148,540	144,189	148,540	144,189
Accrued leave pay	63,396	43,443	37,613	32,957
Accounts payable	217,227	269,905	194,491	258,215
Other creditors and accruals	257,915	268,662	228,984	253,738
	<u>705,961</u>	<u>745,869</u>	<u>628,511</u>	<u>708,769</u>

Other payables are non-interest bearing and have an average term of not more than 1 year.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

38. UNEARNED PREMIUMS -SHORT TERM BUSINESS

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	4,922,951	5,113,942	4,572,660	4,781,322
Increase/ (decrease) in the year	913,270	(190,991)	836,587	(208,662)
At 31 December	<u>5,836,221</u>	<u>4,922,951</u>	<u>5,409,247</u>	<u>4,572,660</u>

39. DIVIDENDS – GROUP and COMPANY

The directors propose the payment of a first and final dividend of KShs0.10 (2018 – KShs 0.45) per share totalling to KShs 280 million in respect of the year ended 31 December 2019 (2018 – KShs 315 million). The proposed dividends are subject to approval by shareholders at the Annual General Meeting and therefore the cash dividend has not been included as a liability in these financial statements.

The cash dividend is payable subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470, Laws of Kenya.

Dividends per share is summarised as follows:

	2019	2018
Proposed dividends per share:		
Dividends appropriations (KShs '000')	<u>279,980</u>	<u>314,977</u>
Number of shares at 31 December	<u>2,799,796,272</u>	<u>699,949,068</u>
Dividends per share	<u>0.10</u>	<u>0.45</u>
Dividends per share declared and paid:		
Dividends appropriations (KShs '000')	<u>314,977</u>	<u>594,957</u>
Number of shares at 31 December	<u>699,949,068</u>	<u>699,949,068</u>
Dividends per share	<u>0.45</u>	<u>0.85</u>

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

40. NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Profit before tax	4,176,194	3,101,850	4,041,808	3,033,273
Adjustment for:				
Depreciation (note 15)	33,665	34,652	27,301	26,361
Unrealised foreign exchange losses	(486)	(649)	(125)	(342)
Interest on corporate bonds (note 7)	(47,519)	(57,145)	(47,519)	(57,145)
Interest on government securities (note 7)	(1,899,495)	(1,787,092)	(1,880,418)	(1,787,092)
Interest on staff mortgages and loans (note 7)	(22,931)	(18,745)	(22,763)	(18,348)
Interest on deposits with financial institutions (note 7)	(448,562)	(251,569)	(435,129)	(230,110)
Interest on commercial mortgages (note 7)	(47,473)	(51,116)	(47,473)	(51,116)
Dividend income (note 7)	(98,849)	(169,238)	(98,849)	(169,238)
Provision for doubtful debts (note 24)	743,428	453,915	748,757	358,478
Amortisation of software (note 16)	202,813	142,261	202,813	142,261
Realised accumulated fair value gain on available for sale quoted equity instruments (note 7)	(137,457)	(201,532)	(137,457)	(201,532)
Gain on disposal of government securities	(93,383)	-	(93,383)	-
Provision on non-current assets held for sale	-	23,000	-	23,000
Receivable on sale of Mbagathi plot to NLC*	300,150	-	300,150	-
Fair value gain on investment properties (note 18)	(2,176,592)	(397,211)	(2,176,592)	(397,211)
Defined benefit loss recognised in profit or loss	12,048	7,931	12,048	7,931
Share of profit of associate (note 19)	<u>(587,444)</u>	<u>(180,865)</u>	<u>(587,444)</u>	<u>(180,865)</u>
Operating profit before working capital changes	<u>(91,407)</u>	<u>648,447</u>	<u>(194,150)</u>	<u>498,305</u>
Short term reinsurance contract liabilities	202,237	265,808	153,051	234,435
Unearned premiums	913,270	(190,991)	836,587	(208,662)
Other payables	(39,908)	102,489	(80,259)	96,764
Long term reinsurance contract liabilities	57,907	236,702	57,907	236,702
Mortgage loans	57,123	(67,437)	57,123	(58,127)
Other receivables	(313,595)	61,565	(304,844)	63,960
Increase in inventories	(8,481)	6,307	(8,481)	6,405
Deferred acquisition costs (note 31)	(45,704)	45,167	(35,796)	68,570
Premium and loss reserves	(10,313)	35,301	11,911	13,889
Payables arising out of reinsurance arrangements	1,258,408	(121,021)	1,124,320	(40,065)
Increase in due to/ from related party	-	-	1,159	(48,671)
Receivables arising out of reinsurance arrangements	<u>304,246</u>	<u>188,287</u>	<u>471,019</u>	<u>333,417</u>
Net cash generated from operations	<u>2,283,297</u>	<u>1,210,624</u>	<u>2,089,422</u>	<u>1,196,722</u>

NCL*-National Land Commission

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

41. RELATED PARTIES

The Group has various related parties, primarily by virtue of being shareholders and common directorships. The other related parties include the staff of the Group. The following transactions were carried out with related parties.

	GROUP		COMPANY	
	2019	2018	2019	2018
	KSh's'000	KShs '000	KShs '000	KShs '000
(a). Transactions and balances with directors and staff				
i. Directors' remuneration				
Fees	9,600	8,640	9,600	8,640
Other emoluments	<u>10,917</u>	<u>16,962</u>	<u>10,917</u>	<u>16,962</u>
	<u>19,517</u>	<u>25,602</u>	<u>19,517</u>	<u>25,602</u>
ii. Key management remuneration				
Salaries and other short-term benefits	75,897	65,554	58,594	59,556
Post-employment benefits	-	-	-	-
	<u>75,897</u>	<u>65,554</u>	<u>58,594</u>	<u>59,556</u>
iii. Loans to staff	<u>118,197</u>	<u>70,801</u>	<u>99,549</u>	<u>70,801</u>

Interest income on these loans was KShs, 22,930,565 (2018: KShs 18,744,545). The effective interest on the loans is 5 % (2018 – 5%). Staff mortgages and car loans are fully secured.

	GROUP		COMPANY	
	2019	2018	2019	2018
	Ksh'000	KShs '000	KShs '000	KShs '000
(b). Transaction with associate company, ZEP Re				
i. Net premium written	<u>901</u>	<u>24,127</u>	<u>901</u>	<u>24,127</u>
ii. Claims incurred	<u>-</u>	<u>14,310</u>	<u>-</u>	<u>14,310</u>

Reinsurance policies taken out by related parties are in the ordinary course of business at terms and conditions similar to those offered to other clients.

(c) Outstanding balances with related parties:	Relationship	COMPANY	
		2019	2018
		KShs '000	KShs '000
Due from:			
Amount due from Kenya Reinsurance Corporation Zambia and Uganda subsidiary	Subsidiary	<u>85,508</u>	<u>93,820</u>
Due to:			
Amount due to Kenya Reinsurance Corporation Cote d'Ivoire	Subsidiary	<u>35,938</u>	<u>43,091</u>

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Outstanding balances are current and payable on demand.

KENYA REINSURANCE CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

42. INVENTORY PROPERTY – GROUP and COMPANY

	2019	2018
	KShs '000	KShs '000
Cost	936,077	941,077*
Less: Impairment provision	<u>(936,077)</u>	<u>(941,077)</u>
	-	-

There was no movement in impairment provision for inventory. The impairment allowance mainly relates to inventory properties that are currently in dispute and are subject to ongoing court cases.

*Included in the inventory property relate to Mbagathi plot which was fully provided in the previous years due to ownership disputes. This was resolved in current year. The land was revalued and recognised as part of the investment property as shown in note 18.

43. CONTINGENT LIABILITIES

The Kenya Revenue Authority made a final assessment relating to withholding tax on cedant acquisition costs and brokerage fees as indicated below:

	Principal	Interest	Penalty	Total
	KShs '000	KShs '000	KShs '000	KShs '000
Withholding tax	<u>742,215</u>	<u>456,052</u>	<u>74,221</u>	<u>1,272,488</u>

The amount is the subject of ongoing court case between Kenya Re and KRA. Management are of the opinion that this will not be payable and as a result, no provision has been made in these financial statements.

44. EVENTS AFTER REPORTING DATE

Apart from uncertainties arising from COVID-19 as discussed below, there are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

Initial cases of Covid-19 infection were reported in China towards the end of 2019. The viral infection has spread to other regions in the world and on 11 March 2020 World Health Organization (WHO) declared the viral disease a pandemic. The first case of Covid-19 was reported in Kenya on 13 March 2020. Since then additional cases have been confirmed and the first death confirmed, as at date of signing this report.

The Corporation anticipates increased likelihood of default in payment of reinsurance receivables and claim recoveries in year 2020 due to the outbreak of corona(or Covid-19) pandemic in its key markets. The pandemic is projected to slow down economies of these markets, mainly due to lockdown of major cities which will curtail movement of capital and people. Measures such as governments seeking extension of repayment periods from financial institutions on financial instruments have also affected the insurance sector in our key markets with some cedants already seeking extension of premium repayment periods for.

Because of the COVID – 19, the annual global GDP growth is projected to drop to 2.4% in 2020 as a whole, from an already weak 2.9% in 2019, with growth possibly even being significantly negative in the first quarter of 2020. Before the Coronavirus outbreak, the Kenyan GDP had been projected to accelerate to 5.8% in the FY2020 up from 5.2% for the prior year, but the economy is likely to overheat from the Coronavirus effects as the contraction of output in China and other global majors will likely have devastating impact on commodity prices. Due to travel disruptions, the tourism industry in likely to feel the blunt of the virus and the anticipated longer recovery of the economies is likely to have a significant negative spillover on the financial systems around the globe. The NSE has already hit a 17 year low on the performance of the listed equities as investors keep booking losses due to the havoc being wrecked around the world by the virus.

The aforementioned situation will likely have a debilitating impact on the Corporation's equity portfolio in the FY2020 if it persist for a longer period. The Corporation will endeavor to mitigate against this risk through gradual accumulation to ensure downward averaging of the portfolio cost in the short run. The equity portfolio is negligible and therefore the downward revaluations will not threaten the Corporation's going concern status.

Management assesses that it is not practicable to accurately estimate the financial impact on COVID-19 now as the effects are yet to fully materialise.

45. INCORPORATION

The Company is incorporated and domiciled in Kenya under the Companies Act.

46. CURRENCY

The financial statements are presented in thousands of Kenya shillings (KShs '000).

KENYA REINSURANCE CORPORATION LIMITED
SHORT TERM BUSINESS REVENUE ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 2019
Appendix I

	Aviation Shs '000'	Engineering Shs '000'	Fire domestic Shs '000'	Fire industrial Shs '000'	Liability Shs '000'	Marine Shs '000'	Motor private Shs '000'	Motor commercial Shs '000'	Personal accident Shs '000'	Theft Shs '000'	Workmen compensation Shs '000'	Medical Shs '000'	Miscellaneous Shs '000'	Total General 31.12.2019 Shs '000'	Total General 31.12.2018 Shs '000'
Gross premium	41,048,833	1,086,746,523	3,306,262,625	618,188,168	188,518,375	572,430,750	120,053,838	671,085,982	230,999,319	21,708,961	3,434,578	3,490,187,200	5,127,271,441	15,477,936,293	12,933,106
Movement in															
unearned premium	5,770,800	(8,950,000)	(50,322,209)	(9,408,891)	7,573,200	2,160,400	1,675,176	9,364,024	(29,881,674)	(2,806,234)	(444,291)	(175,068,400)	(662,909,612)	(913,269,811)	190,890
Earned premiums	46,819,633	1,077,796,823	3,255,940,416	608,779,177	196,091,575	574,591,150	121,729,014	680,449,706	201,117,645	18,900,727	2,990,287	3,315,088,800	4,464,361,829	14,564,666,482	13,124,096
Less: Retrocession															
premiums	30,627,035	185,213,448	254,386,379	26,510,992	15,650,496	62,967,636	-	38,585,772	21,602,203	-	-	-	343,597,609	979,053,570	(718,261)
Net earned															
premiums	16,192,598	892,583,075	3,001,552,037	582,266,185	180,531,079	511,623,514	121,729,014	641,863,934	179,515,442	18,900,727	2,990,287	3,315,088,800	4,120,764,220	13,585,612,912	12,405,835
Claims paid	25,299,819	444,261,685	1,984,811,562	151,330,359	31,508,279	331,247,477	30,067,829	702,116,858	158,846,057	9,069,841	182,195	2,624,961,638	3,818,935,409	10,312,639,008	8,258,711
Claims recoverable	-	(21,643,726)	(108,289,240)	(135,912,015)	-	-	-	-	(48,358,223)	-	-	-	(39,552,150)	(353,755,354)	(561,569)
Claims reserves at															
01.01.2019	(57,898,119)	(320,523,574)	(10,685,408)	(2,542,637,333)	(76,269,493)	(340,364,751)	(7,992,594)	(500,374,915)	(42,403,331)	(116,119,228)	(357,107)	(823,511,026)	(1,164,859,084)	(6,002,945,963)	(5,737,138)
Claims reserves at															
31.12.2019	7,350,329	440,233,442	16,583,810	2,310,060,589	115,696,390	373,736,236	2,551,085	913,121,602	15,082,827	75,176,520	39,205	611,131,802	1,324,419,113	6,205,183,250	6,002,946
Net claims incurred	(25,187,971)	542,327,827	1,882,410,724	(217,158,400)	71,935,176	364,618,982	24,626,320	1,114,863,745	93,167,330	(31,872,767)	(135,707)	2,412,582,414	3,938,943,288	10,161,120,941	7,962,950
Commissions	10,567,183	312,560,180	883,095,359	173,025,719	57,549,577	187,510,159	19,495,236	103,525,368	114,670,419	4,569,964	821,584	892,827,721	777,548,594	3,537,787,083	3,350,056
Commissions															
recoverable	-	37,484	5,587,351	462,021	-	1,012,025	-	10,826,307	157,618	-	-	-	7,138,366	25,221,172	(6,990)
Commissions															
movement	(898,000)	(413,600)	17,283,941	3,386,459	1,056,800	(7,068,400)	559,721	2,972,279	(2,383,725)	(95,414)	(17,079)	(43,933,800)	(16,163,382)	(46,704,000)	45,166
Net commissions	9,679,183	312,109,096	894,791,949	175,950,157	58,606,377	179,429,734	20,054,957	95,671,340	112,129,076	4,494,550	804,505	848,894,121	754,246,846	3,466,861,891	3,388,232
Provision for bad															
debts	1,971,636	52,198,031	158,804,647	29,692,485	9,054,814	27,484,689	5,766,362	32,233,230	11,095,236	1,042,713	164,968	167,638,814	246,270,374	743,427,989	424,145
Management															
expenses	4,239,153	112,229,370	341,440,957	63,840,893	19,465,476	59,115,480	12,398,077	69,305,671	23,855,524	2,241,906	354,692	360,435,027	529,486,309	1,598,421,535	1,576,418,000
Total expenses	(9,297,999)	1,018,864,324	3,277,448,277	52,325,135	159,064,843	630,668,865	62,845,716	1,312,071,986	230,247,166	(24,093,598)	1,188,459	3,789,550,376	5,469,958,817	15,969,832,366	1,588,193,327
Underwriting															
profit/(loss)	25,490,597	(126,281,249)	(275,696,240)	529,943,050	21,466,236	(119,035,351)	58,883,298	(670,208,052)	(50,731,724)	42,994,325	1,801,829	(474,451,576)	(1,348,194,597)	(2,384,219,454)	(1,575,787,492)
loss Ratio	-150%	61%	63%	-37%	40%	71%	20%	174%	46%	-169%	-5%	73%	96%	75%	64%

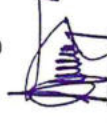
This short term business revenue account was approved by the board of directors on2020 and were signed on its behalf by:



Jadhiah Mwanania
Principal Officer



Chiboli Shakaba
Director



Anthony Munyao
Director

KENYA REINSURANCE CORPORATION LIMITED
LONG TERM BUSINESS REVENUE ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 2019
Appendix II

	Ordinary Kshs '000	Super Annuation Kshs '000	2019 Kshs '000	2018 Kshs '000
Gross earned premiums	45,342	1,998,065	2,043,407	1,905,287
Less: Retrocessions premiums	-	(98,402)	(98,402)	(105,146)
Net earned premium	45,342	1,899,663	1,945,005	1,800,141
Net claims incurred	(1,368)	(841,544)	(842,912)	(630,598)
Change in actuarial liability	(1,285)	(56,622)	(57,907)	(236,701)
Net cedant acquisition costs	(13,313)	(586,651)	(599,964)	(496,758)
Management expenses	(5,288)	(233,027)	(238,315)	(237,953)
				0
Underwriting surplus	24,088	181,819	205,907	198,131
Fair value gains	6,996	308,281	315,277	64,586
Investment income	18,817	829,196	848,013	410,176
Increase in life fund	49,901	1,319,296	1,369,197	672,893

This long term business revenue account was approved the board of directors on

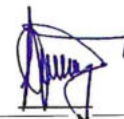
26th March.....2020 and were signed on its behalf by:



Jadhiah Mwarania
Principal Officer



Chiboli Shakaba
Director



Anthony Munyao
Director

(Footnotes)

- 1 The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.
- 2 The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.
- 3 The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.
- 4 The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.
- 5 interest income recognised in Total profit or loss from investments in Government securities amounted to KShs 1,938,260 (2018: KShs 1,762,345) of which KShs 38,765 (2018: KShs 129,543) related to those held as available for sale.

PROXY FORM

**THE Corporation Secretary,
 Kenya Reinsurance Corporation Limited,
 P. O. BOX 30271-00100
 NAIROBI, KENYA**

I/WE

_____ of _____

being a *member/members of **KENYA REINSURANCE CORPORATION LIMITED**, hereby appoint

_____ of _____

or failing him/her _____ of _____

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held electronically on **Friday, 9th October 2020 at 11.00 a.m.**, and at any adjournment thereof.

Signed this _____ day of _____, 2020

Signature(s)

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	WITHHELD
Approval of the Report and Financial Statements for the Year ended 31 December, 2019			
To approve a dividend of 0.10 per share			
Election of Directors: To elect the following candidates:			
1.			
2.			
3.			
To approve directors' Remuneration Report			
To authorize directors to fix auditor's remuneration			
To authorize directors to appoint members of audit committee			
SPECIAL BUSINESS;			
To amend Articles of Association to provide for holding electronic shareholders' meetings			

ELECTRONIC COMMUNICATIONS PREFERENCE FORM

Please complete in **BLOCK CAPITALS**

Full name of member(s): _____

Address: _____

CDSC No (if known) _____
 (This can be found on your CDSC Statement)

Mobile Number

Date: _____

Signature: _____

Please tick ONE of the boxes below and return to Image Registrars at P.O. Box 9287-00100 Nairobi, 5 th floor, Absa Towers (formerly Barclays Plaza), Loita Street:	
Approval of Registration	
I/WE approve to register to participate in the virtual Annual General Meeting to be held on Friday 9th October 2020.	
Consent for use of the Mobile Number provided	
I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM	

Notes:

If a member is unable to attend personally, this Proxy Form should be completed and returned to reach the Company's share registrar, **Image Registrars Limited**, 5th Floor, Barclays Plaza, Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to info@image.co.ke to arrive not later than **10:00 a.m. Wednesday 7th October 2020 at 11:00 a.m** i.e. 48 hours before the meeting or any adjournment thereof.

In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.

As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. To appoint a proxy, insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.

Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.

To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to Image Registrars, Barclays Plaza, 5th Floor, Loita Street and address P.O.Box 9287-00100 Nairobi not later than 11.00 am on Wednesday 7th October 2020 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.

In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.

A "vote withheld" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

FOMU YA MAPENDELEO YA MAWASILIANO YA KIELEKTRONIKI

Tafadhali kamilisha kwa **HERUFI KUBWA**

Majina kamili ya wanachama: _____

Anwani: _____

Nambari ya CDSC (ikiwa inajulikana) _____

(Hii inaweza kupatikana kwenye taarifa ya CDSC)

Nambari ya Simu ya Rununu

Tarehe: _____

Saini: _____

Tafadhali teua kisanduku KIMOJA hapa chini na urejeshe kwa Rejistra wa Taswira kati-ka S.L.P 9287-00100 Nairobi, orofa ya 5, Jumba la Absa (lililokuwa Jumba la Barclays), Barabara ya Loita: Uhalalishaji wa Usajili	
MIMI/SISI tunahalalisha kujisajili ili kushiriki katika Mikutano ya Kila Mwaka mtandaoni unaoratibiwa kufanyika siku ya Jumatano tarehe 9 Oktoba 2020.	
Idhini ya kutumia Nambari ya Simu ya Mkononi iliyotolewa	
MIMI/SISI tungependa kutoa idhini yangu/ yetu kwa matumizi ya nambari ya simu iliyotolewa kwa madhumuni ya kupiga kura katika mkutano wa AGM	

Vidokezo:

Ikiwa mwanachama hawezi kuhudhuria mkutano mwenyewe, Fomu hii ya Mshirika inapaswa kukamilishwa na kurejeshwa na kumfikia rejistra wa hisa wa Kampuni, Image Registrars Limited, Orofa ya 5, Jumba la Barclays, Barabara ya Loita, S.L.P 9287, GPO 00100, Nairobi, au kupitia barua pepe info@image.co.ke ambayo inapaswa kufika mwisho saa 4:00 a.s. Jumatano tarehe 7 Oktoba 2020 saa 5:00 a.s yaani. saa 48 kabla ya mkutano au uhairisho wowote utakaofanyika baadaye.

Ikiwa mwanachama ni shirika, Fomu ya Mshirika lazima ipigwe muhuri ya kawaida ya shirika hilo au kutiwa sahihi na afisa au wakili aliyehalalishwa halali wa shirika kama hilo.

Kama mwenye hisa, una haki ya kuteua mshirika mmoja au zaidi kuteteleza haki zako zote au haki yoyote ile ya kuhudhuria na kuzungumza na kupiga kura kwa niaba yako katika mkutano. Ili kuteua mtu yeyote kuwa mshirika, weka jina kamili la mshirika wako katika nafasi iliyoachwa wazi. Si lazima mshirika awe mwenye hisa katika Kampuni.

Kukamilisha na kuwasilisha fomu ya mshirika hakutakuzuia kuhudhuria mkutano na kupiga kura mwenyewe katika mkutano, hii ikitokea kura zozote zilizopigwa na mshirika wako hazitajumuishwa.

Ili iwe halali, fomu ya mshirika inapaswa kujazwa, kutiwa saini na kuwasilishwa (pamoja na uwezo wa wakili au mamlaka nyingine (ikiwa kunayo) ambao chini yake, fomu imekabidhiwa au nakala halali iliyoidhinishwa ya uwezo au mamlaka kama hayo) kwa Image Registrars, Jumba la Barclays, Orofa ya 5, Barabara ya Loita na anwani S.L.P 9287-00100 Nairobi mwishoni 5.00 asubuhi siku ya Jumatano tarehe 7 Oktoba 2020 au, katika hali ya kura itakayopigwa baada ya tarehe ya mkutano, au mkutano wowote ulioahirishwa, sio chini ya saa 24 kabla ya muda ulioteuliwa kupiga kura inayofanywa saa 48 baada ya siku ya mkutano au mkutano ulioahirishwa.

Ikiwa kampuni yoyote itakuwa mwenye hisa basi fomu hii ya mshirika lazima itekelezwe chini ya muhuri yake ya kawaida au kutiwa sahihi kwa niaba yake na afisa wa kampuni hiyo au wakili aliyehalalishwa wa kampuni hiyo.

Chaguo la "kura lililoondolewa" limejumuishwa kwenye fomu ya mshirika. Athari ya kisheria ya kuchagua chaguo hili kwa uamuzi wowote ni kwamba utazingatiwa kuwa hujapigia kura uamuzi muhimu. Idadi ya kura kuhusiana na ni kura zipi zimeondolewa, hata hivyo, zitahesabiwa na kurekodiwa lakini hazitazingatiwa katika kupiga hesabu ya kura za kuunga mkono au kupinga uamuzi.



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Tel: +254 703 083 000,
Email: kenya@kenyare.co.ke, or
info@kenyare.co.ke

Kenya Reinsurance Corporation
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D.G Office Park, No. 1 Chila Road,
Kabulonga, Lusaka.
Tel: +260 977 19776
P.O. Box 30578 10101
Lusaka, Zambia.
Email: stembo@kenyare.co.ke

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Immeuble Sayegh; 3ème étage
Rue des Jardins en face de Nice Cream
Cocody VALON
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Email: Nsubuga@kenyare.co.ke
or kenya@kenyare.co.ke