ICEA LION
LIFE ASSURANCE

2020 INTEGRATED REPORT

Through And Beyond The Pandemic

UNEP FINANCE INITIATIVE

PSI Principles for Sustainable Insurance

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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FOREWORD

THROUGH & BEYOND THE PANDEMIC

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

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

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

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

With this report, we expect to provide all interested parties with the information needed to understand the vital role ICEA LION plays in corporate citizenship within the socio-economic sphere. We aim to share our approach to dealing with the effects of the pandemic as well as other contemporary issues affecting the insurance and financial services sector. COVID-19 aside, these include the evolution and in some cases revolution of demographics, climate change, the role of innovative technology, our social impact and essentially our outlook on the future.

OUR PAST REPORTS

THE 6 CAPITALS & OUR VALUE CREATION PROCESS

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

It is our belief that revealing our strengths and vulnerabilities will not only boost our bid to scale the heights of best practice with regards to relational thinking and corporate governance, but also increase our social licence to operate as we showcase the heart and soul of ICEA LION.

MATERIALITY

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

FRAMEWORKS USED

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

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). ICEA LION Life Assurance's financial statements contained in this report were audited by PricewaterhouseCoopers (PwC).

REPORTING PERIOD & RESPONSIBILITY OF THE INTEGRATED REPORT

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

ACTING AS A RESPONSIBLE LEADER

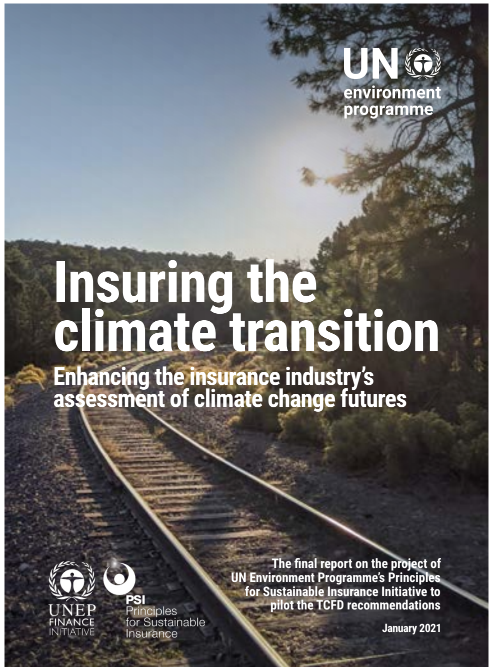
As the first signatory in East and Central Africa to UNEP FI's Principles of Sustainable Insurance (PSI), we continue to stand by our commitment of responsible business. The aim of the Principles is to lay a foundation upon which as a player, we can build a stronger relationship that puts sustainability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

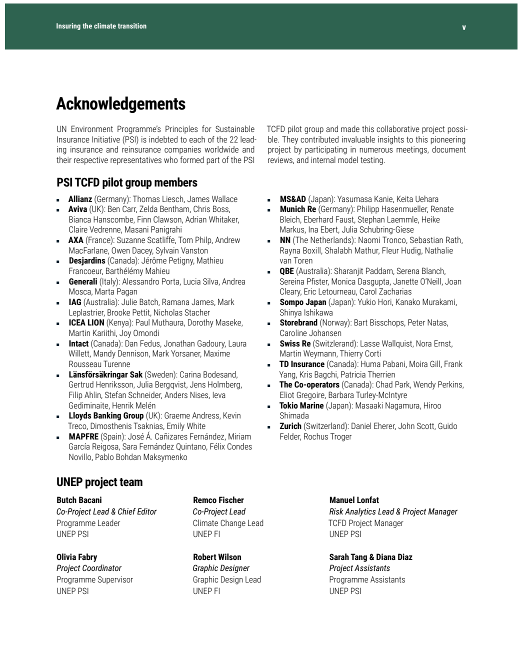
SOLE AFRICAN PARTICIPANT IN THE CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD) INSURER PILOT GROUP

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

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

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




Insuring the climate transition v

Acknowledgements

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

PSI TCFD pilot group members

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

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

OUR SUPPORT FOR OTHER INITIATIVES

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

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

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

LOOKING TO THE FUTURE

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

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

ABOUT ICEA LION GROUP

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

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

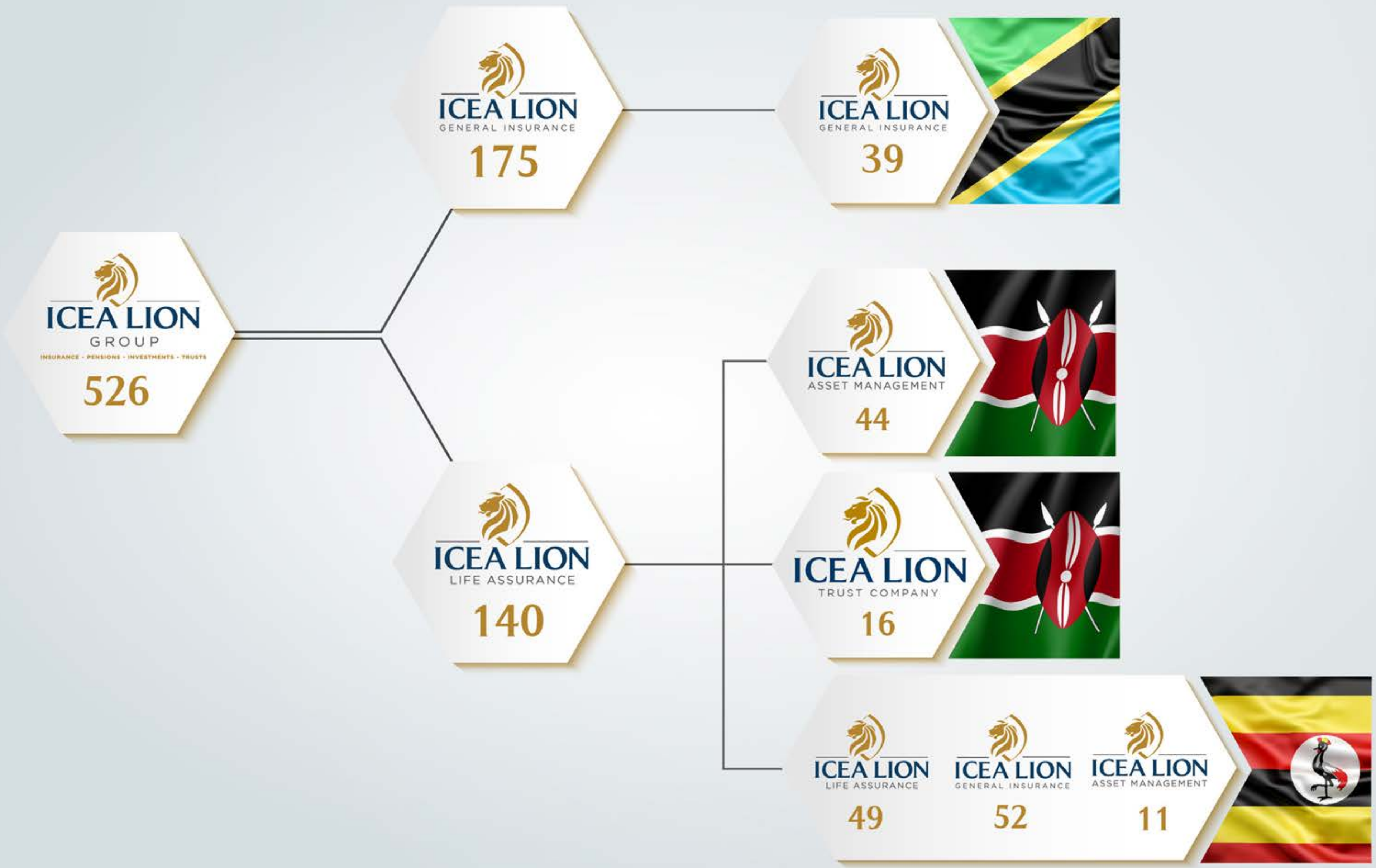
We are one of the largest providers of insurance and financial services in East Africa with well-established operations in Kenya, Uganda and Tanzania. True to our Group's mission *To Protect and Create Wealth*, we pride ourselves in having one of the strongest balance sheets in East Africa empowering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

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

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

Our life and non-life companies are ICEA LION Life Assurance Company Ltd and the ICEA LION General Insurance Company Ltd. ICEA LION Asset Management Ltd and ICEA LION Trust Company Ltd are our investment and individual and corporate trusteeship companies. The insurance and investment subsidiaries in Uganda and the Tanzania insurance subsidiary, also form part of ICEA LION Group.

Our Staff Complement Across East Africa



OUR MISSION

To Protect and Create Wealth

OUR VISION

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

OUR CORE VALUES

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

OUR BRAND PROMISE

Through every life-changing moment

We're Better Together

OUR HISTORY

1964

Insurance Company of East Africa (ICEA) was established in 1964 by Eagle Star Insurance Company, both of the UK, and the New Zealand Insurance Company. The Company was incorporated on 10th November 1964.

1965

ICEA started writing general business on 1st January 1965.

1966

ICEA started writing life business in 1966.

1976

In 1976, the Company's foreign shareholders sold their interests to a group of pioneering local investors, making ICEA the first privately owned local insurance company.

2000

Within the region, Insurance Company of East Africa (Uganda) Limited, a composite company (i.e. offering both General and Life products) was set up in 2000.

2012

A business reorganisation between ICEA and Lion of Kenya (LOK) gave birth to ICEA LION Life Assurance & ICEA LION General Insurance respectively; both form ICEA LION Group.

OUR REGIONAL FOOTPRINT

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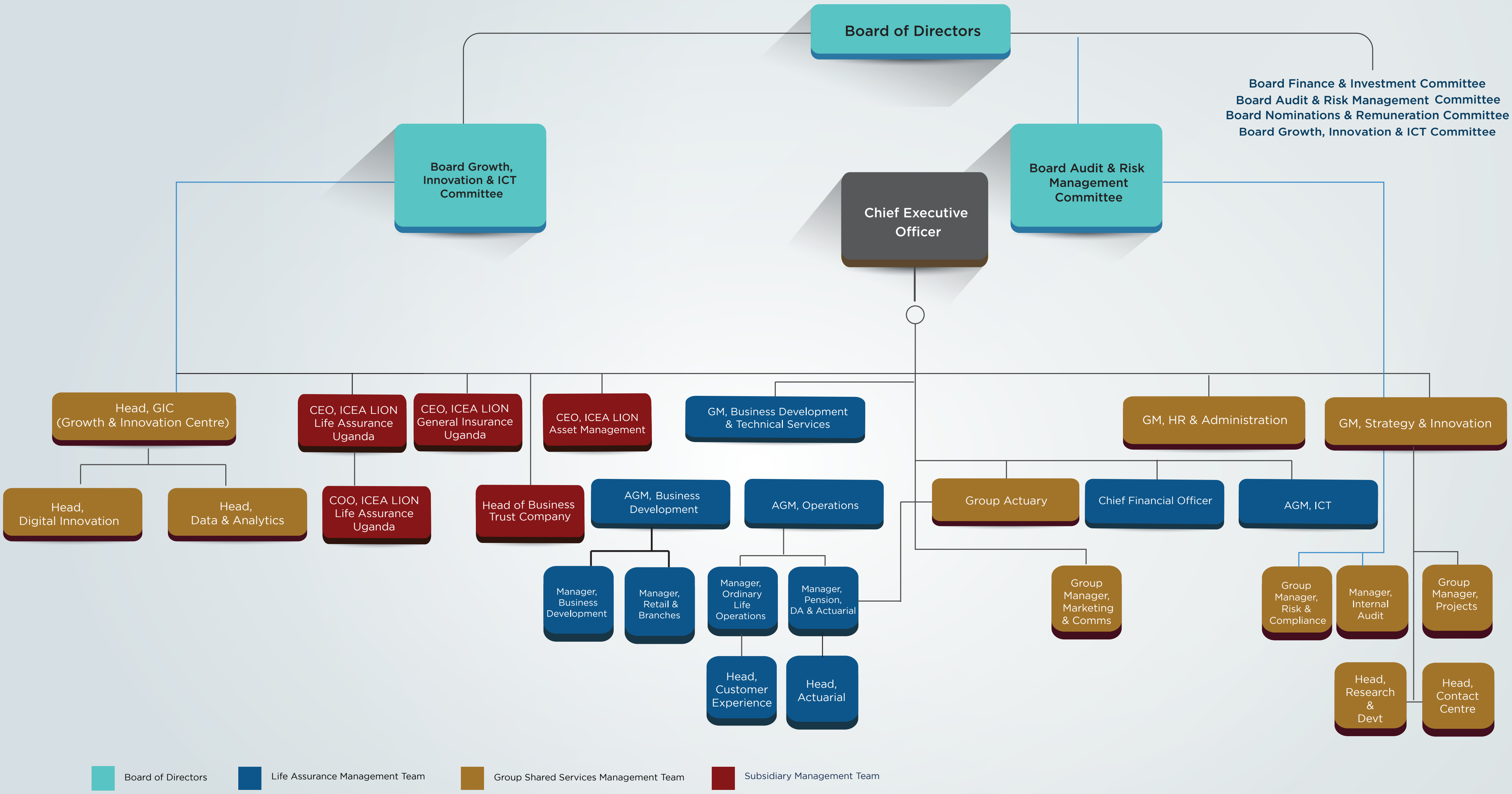
OUR LEADERSHIP STRUCTURE



HOW WE CREATE VALUE

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

NATURAL CAPITAL

- Signatory to UNEP FI Principles for Sustainable Insurance since 2016
- Participant in TCFD Insurer Pilot Group as the only Africa Member to develop climate change recommendations
- Participation in PSI Market event in Victoria Falls in February 2020
- Our ICEA LION Insurance Holdings CEO was appointed to the Board of UNEP-FI PSI as the Africa Representative
- Sponsorship to sustainability initiatives and forums such as the Organisation of East and Southern African Insurers (OESAI) conference on Sustainability
- Monitored resource usage (water, fuel, power & paper)
- Contributed KES 8,717,520 Million to Nature Conservation Initiatives as a Corporate Ctizen between 2013 - 2020

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

INTELLECTUAL CAPITAL

- Ranked the Number 3 Brand in East Africa in the 2020 Nielsen Brand Health Index Survey measured against Brand Awareness, Consideration and Association
- Upgraded our self-service portal to include e-commerce capabilities
- Developed and deployed the Intermediaries and Deposit Administration Partners Portal

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SOCIAL & RELATIONSHIP CAPITAL

- Contributed KES 5 Million to the COVID-19 National Emergency Response Fund
- Support for our team members, their families and our clients health and wellbeing during COVID -19
- As Corporate Citizens, contributed KES 19.2 Million to various causes between 2013 and 2020
- Grew our social media following : Facebook over 62,433 from 60,000 | Twitter over 8,025 from 6,700 | LinkedIn over 16,630 from 11,200 | Instagram over 3,993 from 2100 | YouTube over 746 from 530
- Treating Customers Fairly (TCF) compliance standards resulting in a Net Promotor Score (NPS) - 80%
- Customer Satisfaction Index (CSI) – 81% (compared to industry CSI index of 76%)

13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

HUMAN CAPITAL

- Proportion of women staff members working at 54%
- Percentage of women in senior management at 54%
- Direct jobs sustained in entire economy - 312
- Number of staff between 20s and 30s – 24%
- Number of staff in wellbeing programs - 312
- Learning costs per employee Kshs. 18,164

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

FINANCIAL CAPITAL

- Group 5 year Value added to the regional economy of KES 59.93 Billion
- 2020 Group Net Assets of KES 15.3 Billion
- Group 5 year Taxes paid of KES 5.5 Billion
- Company Market share of 14.2%

8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

MANUFACTURED CAPITAL

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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

CHAIRMAN'S STATEMENT

The year 2020 will forever be inextricably linked with the COVID-19 pandemic, which wrought loss of life, social and economic upheaval across the world on an unprecedented scale and magnitude. The global health crisis severely disrupted our way of life and work, society, commerce and industries setting off a deep global economic contraction as governments the world over imposed stringent containment measures.

On a positive note, these challenges spurred technological innovation and digital transformation in our homes, places of education, businesses and the ways in which we transact. These new ways of living and working, 'the new normal', and the efficiency and cost effectiveness they bring are essentially irreversible and, in many ways, will define the way we shall move forward. More details on the impact of COVID-19, are set out in the Operating Context section of our Integrated Report.

Against this extraordinary backdrop, ICEA LION Life Assurance registered a solid performance in terms of business growth and profitability. The Company recorded gross premium and contributions for the year of KES 14.8 Billion while Total assets stood at KES 103.7 Billion as at 31 December 2020.

Details of our performance and key economic metrics that prevailed during the period are set out in the pages ahead.

CHANGES TO THE LEADERSHIP

RETIREMENT

After 27 years of distinguished service to the Company in various leadership capacities, Justus Mutiga retired as Chief Executive Officer of ICEA LION Life Assurance Company Limited. In addition to his role as Chief Executive, Justus served on the boards of other companies within the ICEA LION Group.

Since his appointment as Chief Executive in 2012, Justus oversaw the growth of the Company's Gross Premium and Contributions book from Kes 5 Billion to over Kes 14.6 Billion in 2020 while Total Assets strengthened from Kes 32 Billion in 2012 to cross the Kes 100 Billion milestone in 2020.

ICEA LION Group has benefited immensely from Justus' contribution over the years and we look forward to retaining and drawing on his wealth of knowledge and experience as he joins the Holding Company Board of Directors as a non-executive director.

"I am truly grateful for the support that the Board, Industry and the ICEA LION Team accorded me over years. I leave behind a business that is solid; a business that is built on integrity and customer focus; I leave the business in very able hands."

JUSTUS MUTIGA RETIRED AS CEO
EFFECTIVE DECEMBER 31ST 2020

APPOINTMENT

George Nyakundi was appointed as Chief Executive Officer effective 1st January 2021. George having previously been the Company's General Manager Business Development & Technical Services brings a wealth of experience to his new position. Professionally he is an Associate of the Chartered Insurance Institute of London and holds a Diploma in Life and Disability Underwriting (DLDU) from the Assurance Medical Society, London.

George has over 30 years' experience in the life assurance sector. Before joining ICEA LION Life, he served as the Chief Executive Officer of Alliance Life Assurance Limited Tanzania.

REGULATION

Implementation of the Risk-Based Capital (RBC) requirements that were expected to come into force in June of 2020 was deferred for a further six months to December 2020. This was due to the economic effects of the COVID-19 pandemic that reduced premiums growth and led to higher claims outgo. The significance of RBC will be that all insurers in Kenya will be required to maintain adequate capital commensurate with their risk profiles. The enforcement of Risk-Based Capital requirements may prompt industry consolidation and realignment, with some players needing to raise capital to meet the required threshold.

On the pension business front, the Retirement Benefit Authority's reduction of scheme assets transfer window from 3 years to 1 year in 2019 continues to affect the industry. 2020 also saw the coming into force of a new law enabling pensioners to withdraw at least 40% of their pension entitlement to finance residential mortgages subject to a maximum of KES 7 Million.

KENYAN ECONOMY

Gross Domestic Product (GDP)

96B (USD) - 2020

95.5B (USD) - 2019

GDP Growth Rate

0.6% - 2020

5.9% - 2019

The decline was occasioned by the impact of COVID-19 related economic disruptions

GDP per Capita

2,080 (USD) - 2020

2,010 (USD) - 2019

Account Deficit

4.8% of GDP - 2020

5.8% of GDP - 2019

The improvement in the current account balance was attributed to lower oil imports as well as strong agricultural exports and remittance receipts

Private Sector Credit Growth

8.20% - 2020

5.5% - 2019

Average Headline Inflation

5.29% - 2020

5.2% - 2019

Headline inflation remained stable within the Central Bank's target band of 2.5%-7.5% supported by favorable weather conditions supportive of adequate food supply in addition to lower global oil prices

USD/Kshs Exchange Rate

Kshs 109.17 - 2020

Kshs 101.33 - 2019

The shilling came under pressure following a significant decline in dollar inflows from tourism and offshore investors. However, strong diaspora remittances, a recovery in commodity exports as well as adequate foreign exchange reserves mitigated the shilling's weakness against the dollar.

91 Day Treasury Bill Rate

6.85% - 2020

6.87% - 2019

182 Day Treasury Bill Rate

7.5% - 2020

7.82% - 2019

364 Day Treasury Bill Rate

8.55% - 2020

9.48% - 2019

The Central Bank Rate (CBR) was dropped from 9% to 8.5% on account of contained inflation.

10 Year Treasury Bond Rate

11.99 % - 2020

11.94 % - 2019

15 Year Treasury Bond Rate

12.59 % - 2020

12.48 % - 2019

20 Year Treasury Bond Rate

13.02 % - 2020

12.79 % - 2019

UGANDAN ECONOMY

Gross Domestic Product (GDP)

37.73B (USD) - 2020

36.48B (USD) - 2019

GDP per Capita

915 (USD) - 2020

916 (USD) - 2019

GDP Growth Rate

0.3% - 2020

5.9% - 2019

GDP growth declined due to a drastic reduction in economic activity across all sectors following the implementation of COVID-19 related restrictions (containment measures) by government.

Average Headline Inflation

3.8 % - 2020

2.9 % - 2019

GDP Growth Rate Q3

2.2% - 2020

8.7 % - 2019

USD/Ushs Exchange Rate

3,718 Ushs/USD - 2020

3,704 Ushs/USD - 2019

91 Day Treasury Bill Rate

8.7 % - 2020

9.4 % - 2019

182 Day Treasury Bill Rate

10.3 % - 2020

10.77 % - 2019

364 Day Treasury Bill Rate

12.7 % - 2020

11.8 % - 2019

10 Year Treasury Bond Rate

15.35 % - 2020

16.04 % - 2019

15 Year Treasury Bond Rate

15.09 % - 2020

16.21 % - 2019

GROUP CONSOLIDATED RESULTS - KES Billions

Consolidated Gross Premium

14.8 B in 2019

17.2 B in 2020

Group consolidated premiums grew by 16%.

Total Assets Growth

98.9 B in 2019

111 B in 2020

Total assets grew by 4% on account of greater business volume in 2020.

COMPANY RESULTS - KES Billions

Total Premium & Contributions

13 B in 2019

14.82 B in 2020

Total premium and contributions was up by 14% to 14.82 Billion shillings.

Total Investment Income

10.7 B in 2019

8.59 B in 2020

Total investment income decreased by 20% mainly on account of lower valuations of listed stocks on the Nairobi Securities Exchange.

Actuarial Surplus Generated

16 B in 2019

14.9 B in 2020

The company declared very competitive rates of interest and bonus to group and individual retirement schemes under management and to the "with profits" ordinary life policies.

Total Assets

93.5 B in 2019

103.7 B in 2020

Total assets grew by 11% as a result of higher business volume during the year 2020.

INDUSTRY PERFORMANCE

According to the Insurance Regulatory Authority's Q3 Industry Report, long-term business premium grew by a reduced rate of 6.6% (Q3 2019: 11%) in 2020 from KES 69.69 Billion to KES 74.31 Billion. The Life Industry's total asset base grew by a lower rate 11.6% (Q3 2019: 14.7%) to KES 486.98 Billion up KES 50.5 Billion from KES 436.4 Billion in 2019. 92% of Life industry total assets was mainly composed of income generating financial investments.

Pensions and Life Assurance, being the main classes of business, constituted 69% of the Gross Premium Income. Total investments as at 30th September 2020 amounted to KES 449.32 Billion (2019: 401.5 Billion) yielding investment income of KES 25.4 Billion which was a decline of 22% over the 2019 amount of KES 32.7 Billion. 2020 management expenses for the period were flat at KES 10.98 Billion compared to KES 10.1 Billion the same period 2019.

As the results clearly demonstrate, the Industry continued growing in 2020 but at a slower pace largely on account of the Coronavirus pandemic.

OUR SUBSIDIARIES PERFORMANCE

ICEA LION ASSET MANAGEMENT LIMITED

The Company continues to be a major player in the fund management and investment sector prudently investing its clients' assets and generating competitive returns for them. In 2020, the Company's income grew by 41% to KES 586 Million. Assets Under Management stood at KES 219 Billion representing a growth of 38% over KES 159 Billion in 2019.

ICEA LION TRUST SERVICES COMPANY LIMITED

The Company offers trust services and scheme administration to the Group and external clients. In 2020, the Company acquired new mandates under both lines of business and achieved a 5% growth in profit before tax to KES 39.3 Million (2019 KES 37.4 Million).

ICEA LION LIFE ASSURANCE COMPANY UGANDA LIMITED

2020 gross premium and contributions for the Uganda Life business grew by a stellar 47% to UGX 58.2 Billion (2019 UGX 39.7 Billion), while assets grew by 31% to UGX 146 Billion (2019 UGX 111 Billion). The Life Fund's strong performance enabled the Company to declare competitive rates of return to Deposit Administration schemes and bonus rates to "with Profits" ordinary life policies.

ICEA LION GENERAL INSURANCE COMPANY UGANDA LIMITED

Despite the pandemic lock-down in Uganda, ICEA General business gross premium grew by 10% to close at UGX 26.4 Billion (2019 UGX 24 Billion), while the net earned premium grew by 3% to UGX 11.6 Billion (2019 UGX 11.3 Billion).

ICEA LION ASSET MANAGEMENT UGANDA LIMITED

The Uganda fund management business Assets Under Management were UGX 245 Billion as at 31 December 2020 (2019 UGX 155 Billion) while income for the year grew by 115% to close at UGX 1.2 Billion (2019 UGX 557) Million

FUTURE OUTLOOK

As previously stated, ICEA LION remains strategically poised to grow through digital transformation and capturing growth markets by carefully understanding and fulfilling, or indeed exceeding, our customers' needs. We are determined that through our definitive strategy, delivered through our talented team, and while meeting all regulatory requirements, we shall continuously delight our customers in our quest to be a leading world-class financial services company. ICEA LION's approach is to offer the highest levels of service, compliance, good governance and ethics in our dealings with all our stakeholders. As always, championing professionalism and integrity remains a core value at the heart of all that the Company does.

COVID-19 has indeed presented significant economic uncertainty in the short-term. In the long-term however, our Company's fundamentals remain strong and we are confident that our strategy will continue to deliver sustainable value for all our stakeholders.

STRATEGIC PARTNERSHIP

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

APPRECIATION

I wish to express my sincere gratitude to our customers, intermediaries, fund managers, scheme administrators, trustees and actuaries for their trust, support and loyalty. We also appreciate our various regulators for their efforts to raise the soundness of the industries in which we operate and take this opportunity to assure them of our support and commitment to uphold professional standards. I commend the leadership and team members in all our business units for their continued service and dedication to our Group and thank my fellow board directors for the guidance and stewardship they provide to ICEA LION Life Assurance and all its subsidiaries.

JAMES NDEGWA | CHAIRMAN

CHIEF EXECUTIVE OFFICER'S STATEMENT: ICEA LION LIFE ASSURANCE

It is a tremendous honour to report for the first time as the Chief Executive Officer of our Company. I know how special this Company is and I want to thank my predecessor Justus Mutiga who retired at the end of the year leaving a lasting legacy.

At the beginning of 2020, we had hoped and looked forward to an exciting year and the execution of our Company Strategy. No one had anticipated or predicted that by March 2020 the world would be beset by a pandemic which would bring immense uncertainty to our business plans. The COVID-19 pandemic disrupted our lives and societies, the way we work and transact and reordered our priorities as its effects reverberated through the economy. Some of our clients experienced immediate changes in their personal and financial circumstances, some businesses contracted sharply while others would close outright; all of which led to reduced revenue for our organisation but also increased claim payouts.

As a Company however, we remained resilient and resolved to get *through and beyond the pandemic*. Guided by our Board and the Crisis Management Team, our Company was quick to roll out new ways of operating, dividing the team into clusters that would work separately and as far as possible, remotely. Greater use of technological innovations was embraced as our digital assets were extensively deployed, concessions were introduced and other measures were taken to support our customers.

There is no doubt that the pandemic and the measures taken to contain its spread has taught us many lessons and brought about irreversible changes in the ways that we think and work.

RE-ENGINEERING OUR SYSTEMS & PROCESSES

Against the backdrop of the COVID-19 Pandemic, a need has arisen for companies to assess and improve their systems and services in order to remain relevant, reduce operational costs and meet customer expectations. As we endeavour to continually improve the quality of customer experience we offer and reduce operational costs, we reassess our processes and redesign them to fit our strategic goals. One of the ways to achieve this objective is through Business Process Reengineering (BPR) and this is a path we have planned to take in the year ahead.

Some of the benefits from this initiative are:

01 **INCREASED EFFICIENCY:** Eliminating redundancies in operations and tweaking processes will result in ease and speed, thus increasing overall efficiency.

02 **BETTER RESULTS & PRODUCTS:** The streamlined and digitized processes will result in greater efficiency and more focused goals enabling our team members to refocus their energies towards building relationships with our customers.

03 **END TO END DOCUMENTATION:** This will mitigate against errors and non-compliance which could have dire implications.

04 **SIMPLIFIED & STREAMLINED OPERATIONS:** This will reduce the many unnecessary steps in a processes (hand-off's) that cause delays. The time and effort gained will be directed towards organizational objectives which will result in win-win situations for our team and all our stakeholders.

05 **MAXIMIZED RETURN ON INVESTMENT:** BPR will help to maximize the ROI on our Company's automation investment.

We shall focus on the following KEY strategic areas in 2021:

01 **IMPROVED OPERATIONAL EFFICIENCY:** Our customers who have supported and continue to patronize our Company, expect us to deliver on our promises and commitments in a timely and efficient manner. We will continue to re-engineer our processes and ensure that we meet and exceed our customers' expectations in order to retain and attract new business.

02 REVAMP OUR DISTRIBUTION CHANNELS.

03 PRUDENTLY MANAGE THE BUSINESS PROFIT DRIVERS IN ORDER TO INCREASE STAKEHOLDER VALUE.

04 TALENT MANAGEMENT TO IMPROVE OUR COMPETITIVE ADVANTAGE.

OUR TEAM

Our Human Capital is our greatest asset for the achievement of our Company's strategic objectives and goals. Our team is dedicated and continues to make significant contributions in ensuring that ICEA LION grows. Their exemplary responses to the challenges brought upon our business as a result of the Pandemic during the year under review, is a reaffirmation of their unwavering commitment to make ICEA LION Life Assurance the Company to work for in the market. I thank them for their dedication, support and excellent contribution.

APPRECIATION

To our customers, being able to serve you gives us an amazing sense of accomplishment everyday. Thank you for your business, your patience, your loyalty and feedback. You are why we are. I wish to appreciate the support of our intermediaries, scheme administrators and trustees who have trusted us and continue to market and distrubute our insurance solutions to our customers.

The Company has always maintained high level corporate standards, zero-tolerance to non-compliance and a value-driven work culture. I would like to express my heartfelt thanks to our Board of Directors for their continued support and guidance. To our regulators, I thank you too for your guidance and support.

GEORGE NYAKUNDI | CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER'S STATEMENT: ICEA LION INSURANCE HOLDINGS

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

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

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

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

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

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

BEYOND 2020

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

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

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

DR. CAESAR MWANGI | CHIEF EXECUTIVE OFFICER

OUR BOARD OF DIRECTORS

FIRST ROW

James Ndegwa, Chairman | Mariam Abdullahi, Director | Mugwe Manga, Director | Robin Ndegwa, Alternate Director | Dr. Peter Kamau, Director | Kairo Thuo, Director

SECOND ROW

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

Visit www.ICEALION.com to review their individual profiles

OUR LEADERSHIP TEAM

OUR SUBSIDIARIES TEAM

OUR SHARED SERVICES TEAM

ROW 1

George Nyakundi, CEO - Chief Executive Officer
Kevin Nyakeri, CFA - Chief Financial Officer
Gladys Musembi, Assistant General Manager - Operations
Christine Mutahi, Assistant General Manager - Business Development
Caroline Maina, Assistant General Manager – ICT
Felix Chomba, Manager - Pension, Deposit Administration & Actuarial

ROW 2

Kennedy Odenyo, Manager - Group Business Development
Kenneth Muchiri, Manager - Group Business Development
Patricia Kihara, Manager - Ordinary Life & Branches
Muiri Waichinga, Manager - Ordinary Life Operations
Enid Otieno, Manager - Internal Audit
Prisca Mwika, Head - Customer Experience

ROW 3

Margaret Ndungu, Head - Actuarial
Einstein Kihanda, CEO - ICEA LION Asset Management (Kenya)
Peter Wachira, Principal Officer - ICEA LION Trust Company (Kenya)

ROW 4

Gabriel Kuria, CEO - ICEA General Insurance (Uganda)
Emmanuel Mwaka, CEO - ICEA Life Assurance Company (Uganda)
Anne Njugi, COO - ICEA Life Assurance Company (Uganda)

ROW 5

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

ROW 6

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

Visit www.ICEALION.com to view their individual profiles

WHERE & HOW WE OPERATE

02

OPERATING CONTEXT

GLOBAL ECONOMY

2020 was an extremely difficult year largely because of the COVID-19 pandemic fueled economic and health challenges. From an economic standpoint, the pandemic led to the imposition of virus containment measures such as lockdowns and travel restrictions. Additionally, there was significant uncertainty as to future economic prospects for various industries and the eventual development of effective vaccines. All told, the pandemic set in motion a synchronized global slow-down that laid bare the interconnectedness of the world economy. According to the IMF, the global economy estimably contracted by an unprecedented 3.5%.

KENYAN ECONOMY AND THE LIFE INSURANCE INDUSTRY

In Kenya, as in the rest of the world, pandemic containment measures significantly affected the hospitality and accommodation, tourism, travel and education sectors among others. However, not all was lost as the Kenyan economy is highly diversified. Some of the bright spots included, diaspora remittances, which topped a record USD 3 Billion. Exports grew by 3.3% and the economy had adequate foreign reserves of about USD 7.75 Billion equivalent to 4.76 months of import cover. The ICT sector also grew because of the reliance on technology to do business as people worked from home.

COVID-19 affected Life insurance sector through reduced business prospects, increased surrenders and withdrawals due to economic hardship and reduced returns from the financial markets.

According to the Insurance Regulatory Authority (IRA) Q3 report, gross premium income grew by 6.6% from KES 69.69 to KES 74.31. The two main components of this income were Pensions and Life Assurance that contributed 39.2% and 28.6% respectively. Life insurance total investments as at Q3 2020 stood at KES 449.2 Billion, a growth of 11.9% over KES 401.5 in Q3 2019. Government securities consisted 75% of the total assets with investment property and equities forming 10% and 5% respectively.

Quoted stocks slumped because of economic uncertainty brought about by the pandemic. The property market also came under pressure with demand outstripping supply.

The Kenyan Life insurance sector is dominated by the big six insurers (out of 24 companies) with a market share of at least 5%. Put together, the big six control 70% of the market with the remaining 18 life insurers controlling 30% of the market. ICEA LION Life was second in the industry with a market share of 14.2%

GROUP COMPANY

The year was thus a difficult one for most businesses and at ICEA LION, we took measures to ensure business resilience and continuity. These measures included facilitating staff to work from home through provision of the enabling technology and facilitating them to get proper work furniture. For the few team members who needed to work from the office, transport was availed to them to minimize the risks of exposure to COVID-19 by using public transport. Social distancing, masks wearing, sanitizing and temperature checks were enforced at our various business premises.

The ability of our business to sell its products digitally came in hand during this season. Our technology investments greatly yielded results, as most team members remotely worked from home.

Despite these operating conditions, both our businesses in Kenya and Uganda remained resilient and profitable.

SALIENT INDUSTRY MATTERS

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

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

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

04 CHANGING DEMOGRAPHIC STRUCTURE, TASTES AND PREFERENCES.

FUTURE OUTLOOK & OPPORTUNITIES

Looking forward, new risks abound as the road to recovery is expected to be a long one. The recovery will likely be uneven from both country-to-country and sector-to-sector perspectives. The emergence of new strains of the virus and the said long road to recovery make for an uncertain future.

The Kenyan economy is expected to grow at 6-7% in 2021 and the global economic outlook is improved at 5.5%. This is down to the development of various COVID-19 vaccines, easing of economic stifling restrictions and other accommodative monetary and fiscal policies in form of stimulus packages to support limping sectors of different economies.

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

COMMODITIZATION OF INSURANCE PRODUCTS

Underwriters continue to face the challenge of commoditization of insurance products. Some of the ways in which we believe offer a pathway to profitability and growth in this context include:

SUSTAINABLE INNOVATION

Research has shown that many insurers are still focused on enhancing legacy systems at the expense of devoting resources to transforming their business models. In most cases innovation business units lack budgets to drive broader transformation efforts across their entire organizations. Improvement in technology will not by itself foster sustainable innovation if it is not accompanied by fundamental changes in company strategy, operating models, culture and a significant emphasis on enhancing the talent pool.

FUTURE SUCCESS FACTORS

Whereas emerging technologies remains a big buzzword in our industry, insurance remains a people business and what is critical is how it is sold and bought as well as how insurers are managed. This is referred to as the *synthesis challenge:* How to integrate new tools, technologies and techniques while leveraging new bold ideas from insurtechs, ecosystem partners and new hires with existing time-honored status quo practices. This may be the biggest success factor in the decade to come.

STAKEHOLDER MAPPING

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

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

STAKEHOLDER MAP

OUR STAKEHOLDER MANAGEMENT PROCESS

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

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

OUR STAKEHOLDERS

Our Business Model

Towards Shared Value
People | Planet | Profit
6 Capitals Model

Digitally-Led

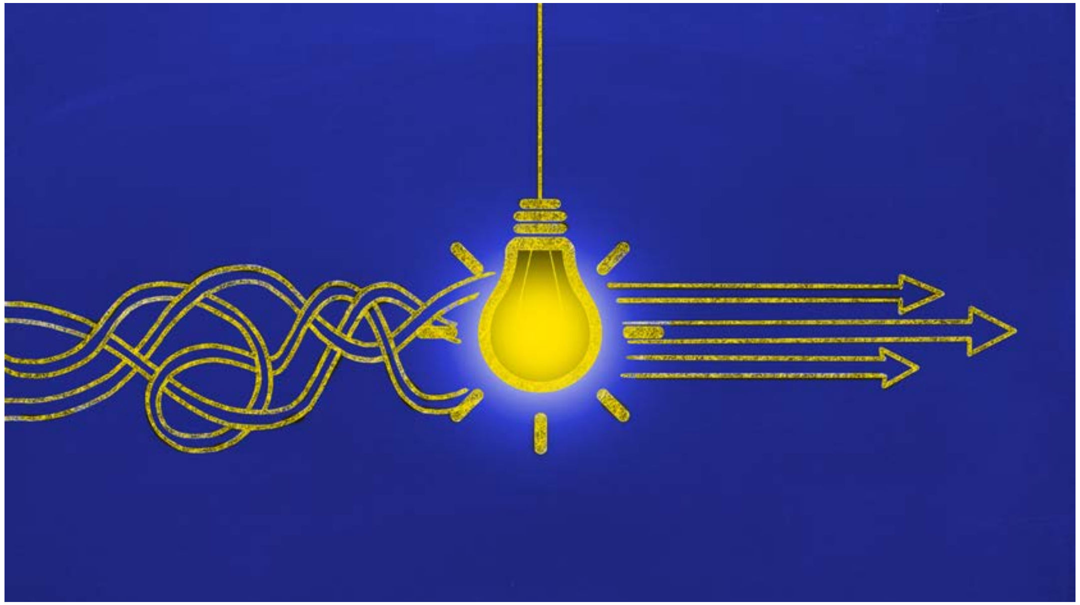
Sustainability
At the core of all our interactions

NAOMI MUNYI

GENERAL MANAGER STRATEGY & INNOVATION STATEMENT

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

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



PILLAR	STRATEGY	ACHIEVEMENT
CAPTURING GROWTH MARKETS	Our Company plans to grow the retail segments for all business units by achieving TLA sales force effectiveness and Sales force process digitisation	- Continued improving the sales force processes to digitize and make them more efficient. - 60% of our ordinary life insurance business was conducted via our proprietary mobile sales platform. - The Company is at an advanced stage of digitizing the individual pension business for increased efficiency and accessibility. - Developed and prepared to launch in January 2021 our first-in-class end-to-end Online Portal (DigiTrust) that allows you to deposit in and withdraw from your Money Market Fund at the click of a button. This is a product of our subsidiary ICEA LION Asset Management Ltd.
SETTING UP A GROWTH & INNOVATION CENTRE (GIC)	Our Group had planned to set up a GIC Centre that would enable it transform into an innovative, customer-centric and insight-driven organisation.	- During the year 2020, The GIC team contributed to the following Initiatives: - Digitrust (digital money market product) rollout. - Reviewed our Individual Pension product in readinessfor digitization. - Developed our USSD platform for our retail clients for rollout in January 2021 - Developed LEO - our WhatsApp Chatbot for rollout in January 2021 - Kicked off the development a data aggregation platform for assisting in data analytics and related business insights. - Spearheaded the Agile Transformation Program for the Group. *Please refer to the Head of Digital Innovation's Statement on page 35-36 for more information on becoming an insight driven organization.*
DEVELOPING CUSTOMER CONNECTIVITY	Our Group is positioning itself as the industry leader in customer experience by focusing on developing a personalised experience for its customers through enhanced digital capabilities.	- We have enhanced the self service portal with E-commerce capabilities and increased customer service delivery touchpoints. - Extended our customer connectivity platforms reach to all market segments.
WINNING WITH THE PARTNER & CHANNEL ECOSYSTEM	Our Group plans to regain power in the value chain through end-customer pull and partner value propositions as well as increasing relevance to end-customers through digital channels.	- Digitized intermediaries' channels to serve our brokers and agents. - Developed a pension adminitrator's portal to facilitate digital and efficient interaction with Admnistrators in serving our mutual clients. - Further entrenched our doctors' portal for medical underwriting for greater customer convenience and business efficiency.
BECOMING AN INSIGHT DRIVEN ORGANISATION	Our Group strategy is to establish analytics as a winning core capability. This will be done through creation of insights to drive the business as well as improve the customer experience.	- Commenced implementation of a groupwide data aggregation platform for data analytics, reporting and generation and utilization of customer insights. - Advanced the implementation of the data analytics strategy. - Training is in progress towards the achievement of at least 10 data scientists certified by Havard University by the end of the strategic period in 2022. - The Company developed a Data Governance Framework for secure data sharing enviroment and to ensure compliance with various data protection and privacy regulations. *Please refer to the Head of Data & Analytics' Statement on page 34-35 for more information on becoming an insight driven organization.*
HARVESTING GROUP SYNERGIES	Our Group strategy is to establish ownership and an operating model to unleash and capture the untapped value from group synergies.	- The Group is focusing in building capacity to leverage on existing synergy from the various companies and subsidiaries. In this regard: - Group sysnergy strategy was completed in 2020 and its implementation will be scaled up in 2021. - In 2020, a total of Kshs 1.6 billion worth of revenues was generated through group synergy initiative.
GAINING PROFITABILITY FROM OPERATIONAL EFFICIENCY	Our Company had planned to streamline its processes to make them seamless and efficient in order to minimise operating costs and better secure our customers.	- Delivered Group Profit Before Tax of KES 2 Billion in 2020. - Achieved a Company expense ratio of 7.5% in 2020. - Commenced the upgrading of the document management system (EDMS). - Drove increased adoption of CRM. - Replaced the Fund Management system for greater efficiency for our Asset Managemnt subsidiary. - Adopted agile project management and cultural transformation methodogies.

HEAD-DATA & ANALYTICS STATEMENT

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

CULTURE & TALENT

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

DATA GOVERNANCE

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

CUSTOMER CONNECTIVITY

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

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

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

HEAD-DIGITAL INNOVATION STATEMENT

STRATEGY

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

ACHIEVEMENTS

Some of our key achievements within the year include:

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

VERONICA SENTONGO

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

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

EFFECTS OF COVID-19

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

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

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

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

CHANGE BEGINS AT HOME

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

SHAREHOLDER COMMITMENT

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

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

FUTURE OUTLOOK

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

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

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

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

ICEA LION
LIFE ASSURANCE

GOVERNANCE STATEMENTS

03

CHAIRMAN'S GOVERNANCE STATEMENTS

Our strong corporate governance culture enhances resilience and contributes to long-term success.

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

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

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

BOARD OF DIRECTORS

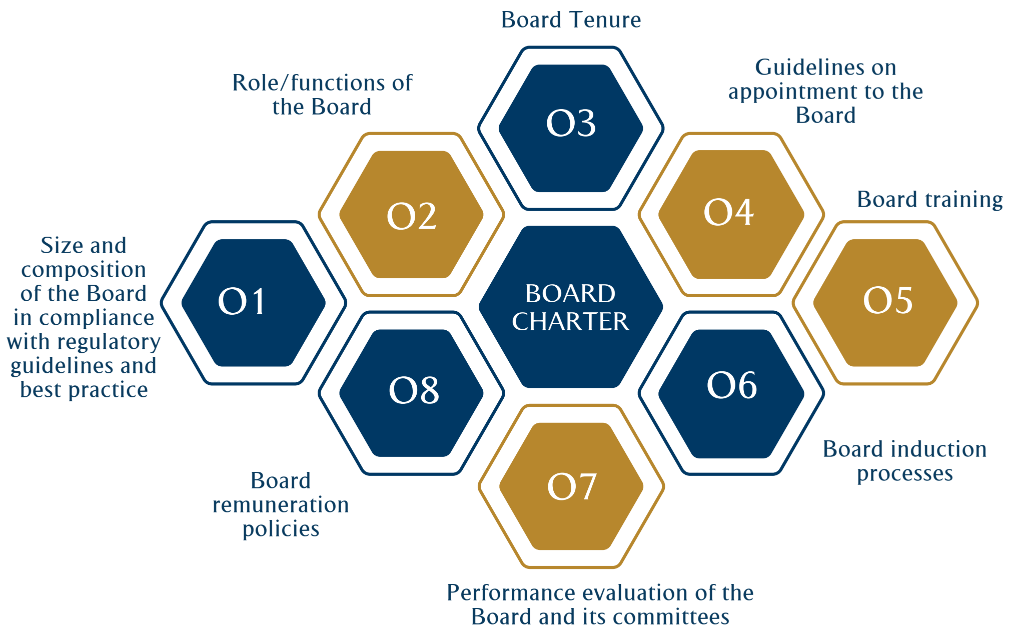
Our Company's Board is responsible for the development of corporate governance practice and ensuring compliance by all the Company's organs. We deliver this through Board Committees and by having in place business principles and practices as well as internal control and risk management processes that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

BOARD CHARTER & WORK PLAN

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

OUR BOARD CHARTER

Key components in our Board charter include the following:



BOARD COMPOSITION & APPOINTMENTS

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

DIVERSITY

Our Board recognises the benefits of a diverse skills base across the Company and is supportive of initiatives that promote diversity at all levels. Despite making some strides in this regard, we as a Company still seek to increase female representation at Board level. This continues to be a target we are eager to achieve in the near future. That said, we have made progress with regards to lowering the age profile of our Board members by introducing younger board members.

BOARD MEETINGS AND INFORMATION FOR DIRECTORS

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

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

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

BOARD EVALUATION

Regulations calling for board evaluation represent the minimum requirements, and this, carried out by an external consultant, coordinated by the Chairman and Company Secretary, goes beyond a check-box compliance exercise. Our evaluation contributes significantly to performance improvements on four levels that is: at the Organisational, Board, Individual Board Member and Stakeholder levels. Board evaluations carried out in prior years continue to inform improvements we are making to our governance processes.

GOVERNANCE AUDIT

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

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

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

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

OUR BOARD COMMITTEES

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

OUR BOARD COMMITTEES

(A) BOARD AUDIT & RISK MANAGEMENT COMMITTEE

This committee is chaired by a non-executive director. There are five other directors who sit in this committee. The CEO, General Manager - Strategy & Innovation, General Manager - Business Development & Distribution, Chief Financial Officer, Manager - Internal Audit and the Manager - Risk and Compliance attend by invitation.

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

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

(B) BOARD FINANCE & INVESTMENTS COMMITTEE

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

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

(C) BOARD GROWTH INNOVATION & ICT COMMITTEE

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

(D) BOARD REMUNERATION & NOMINATIONS COMMITTEE

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

PRINCIPAL OFFICER & SENIOR MANAGEMENT

In our commitment to strengthen efficiency and executional capability, we have in place a strong management team. The calibre of our senior leadership team has ensured that risks and governance have been well managed throughout the year with a clear commitment to not only doing things in the right way but also doing the right things.

Our team has the requisite qualifications and experience in their respective fields. We also meet the "fit and proper persons' criteria" in compliance with the "Guidelines of Suitability of Persons" as required by the Insurance Regulatory Authority. Directors have been inducted on how the Group manages and governs itself, how we make decisions, what we stand for and the standards of governance we wish to retain.

OUR SUSTAINABILITY PRACTICES

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

The aim of the Principles is to lay a foundation upon which as a player, we can build a stronger relationship that puts sustainability at the heart of risk management in the pursuit of a more forward-looking and better managed world. Commitment to the Principles articulates to our stakeholders our stance towards responsible action as we consciously develop innovative risk solutions that solve current challenges. In addition, this positions us as a market leader as we seek dominance towards shaping policies that positively influence the insurance market.

OUR ROLE ON CLIMATE CHANGE

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

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

BOARD OF DIRECTORS MEETING ATTENDANCE

Main Board Meeting					
Name	Designation	23.03.2020	01.07.2020	25.09.2020	11.11.2020
J P M Ndegwa	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
D G M Hutchison	Member	√	√	√	√
P K Mugambi	Alternate Director	√	√	√	√
R M Ndegwa	Alternate Director	√	√	√	√
P W Kamau	Member	√	√	√	√
J K Kimeu	Member	√	√	√	√
Dr C Mwangi	Member	√	√	√	√
Mr M Manga	Member	√	√	√	√
Ms M Abdullahi	Member	√	√	√	√
Mr K Thuo	Member	√	√	√	√
S O Oluoch	Member	√	√	√	Retired
J M Mutiga	CEO	√	√	√	√

Board Audit, Risk & Compliance Committee					
Name	Designation	10.03.2020	23.06.2020	22.09.2020	10.11.2020
P W Kamau	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
J K Kimeu	Member	√	√	√	√
D G M Hutchison	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
R M Ndegwa	Member	√	√	√	√
Dr C Mwangi	Member	√	√	√	√
J M Mutiga	CEO	√	√	√	√

Present √ Absent with Apologies X

Board Remuneration & Nominations Committee			
Name	**Designation**	**20.03.2020**	**31.10.2020**
J P M Ndegwa	Chairman	√	√
A S M Ndegwa	Member	√	√
Dr. C Mwangi	Member	√	√
J K Kimeu	Member	√	√
J M Mutiga	CEO	√	√

Board Growth, Innovation & ICT Committee					
Name	**Designation**	**13.03.2020**	**22.06.2020**	**21.09.2020**	**09.11.2020**
M Manga	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
J K Kimeu	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
Mariam Abdullahi	Member	√	√	√	√
Dr C Mwangi	Member	√	√	√	√
J M Mutiga	CEO	√	√	√	√

Board Strategy					
Name	**Designation**	**22.10.2020**	**Name**	**Designation**	**22.10.2020**
J P M Ndegwa	Chairman	√	Mr K Thuo	Member	√
A S M Ndegwa	Member	√	M Manga	Member	√
P W Kamau	Member	√	Dr C Mwangi	Member	√
D G M Hutchison	Member	√	J K Kimeu	Member	√
R M Ndegwa	Member	√	J M Mutiga	CEO	√
Mariam Abdullahi	Member	√			

Board Finance & Investment Committee					
Name	**Designation**	**13.03.2020**	22.06.2020	21.09.2020	09.11.2020
A S M Ndegwa	Chairman	√	√	√	√
J K Kimeu	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
M Manga	Member	√	√	√	√
J M Mutiga	CEO	√	√	√	√

Present √ Absent with Apologies X

Attendance at Full and Board Committee meetings was commendable

INTERNAL CONTROL & RISK MANAGEMENT SYSTEMS

Our Company is exposed to a variety of risks which can have a negative impact on our stakeholders. We have put in place a strong integrated risk management process in our daily business activities as well as solid corporate governance structures that promote effective identification, monitoring and management of risk.

These structures include well developed and documented internal procedures, clearly defined reporting lines and well-structured regular training programmes for staff. The latter are intended to enable staff to attain a clear appreciation of the nature of business risk; the likely consequences of not giving adequate attention to, or failure to properly manage risk; and of the universally accepted and internally prescribed techniques of effectively managing risk.

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

Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. We also have in place an independent internal audit function headed by a senior officer. This function reviews the adequacy and effectiveness of ICEA LION's adherence to its internal controls as well as reporting on strategies, policies and procedures.

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

These systems are designed to:

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

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

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

COMPLIANCE & ANTI-MONEY LAUNDERING PROGRAM

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

These guidelines include:

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

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

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

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

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

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

ACTUARIAL FUNCTION

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

CONFLICT OF INTEREST

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

DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 39(iii) to the financial statements for the year ended 31 December 2020. (See page 182)

RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors or Management except those disclosed in Note 39 (i) & (ii) to the financial statements for the year ended 31 December 2020. (See pages 181 - 182)

COMPLIANCE WITH THE LAW

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

CONDUCT OF BUSINESS & PERFORMANCE REPORTING

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

DISCLOSURE OF INFORMATION & RELATIONSHIP WITH THE INSURANCE REGULATORY AUTHORITY

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

ACCOUNTABILITY, AUDIT & SHAREHOLDER RELATIONS

Our Board recognises its responsibility to present a balanced and understandable assessment of the ICEA LION's financial position and prospects.

Our financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act 2015 and are audited in accordance with International Auditing Standards. Our Directors recognise and have confirmed our responsibility over the financial statements and have provided other information in this integrated report that we consider useful to shareholders and other stakeholders.

STAKEHOLDER GROUPS

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

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

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

CHAIRMAN'S STATEMENT
BOARD FINANCE & INVESTMENT COMMITTEE

"Despite 2020 being a very challenging year, the company investment portfolio achieved a key milestone by crossing the KES 100 Billion mark, an industry first. This leading position was the cumulative result of prudent investment strategy and management of profit drivers over the years."

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

The Committee is charged with the responsibility of:

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

02 Reviewing investment policies and strategies

03 Monitoring compliance with the approved investment strategy including investment mix

04 Monitoring the performance of the investment portfolio

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

06 Engaging and overseeing the performance of investment managers and consultants

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

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

The most immediate and significant impact of the Pandemic on our investments was felt on our quoted equity portfolio, which reduced in value as a result of the 30% (*NSE 20 Share Index*) slump in prices on the Nairobi Securities Exchange between 1 January 2020 and 31 December 2020. The impact was however mitigated by the careful selection of the stocks in which we invest and the relatively limited allocation of assets to this class of investment. At the end of the year, the revaluation losses on our equity portfolio amounted to KES 1.3 Billion at the Company and Group level.

Our investment properties constitute about 10% of total investment assets. During the year, rental earnings were affected by concessions extended to our tenants who were significantly impacted by the Pandemic. Additionally, because of dampened demand, the average occupancy ratio of our property portfolio decreased. Due to these factors, our investment properties returned revaluation losses to the tune of KES 174 Million at the end of the year.

As I alluded to earlier our investment strategy places emphasis on capital preservation and stability of returns, and in recent years this has guided us to adopt a 76% plus allocation of investment assets to the fixed income class. This model has underpinned the resilience of our investment portfolio with the result that after absorbing the reported revaluation losses on our property and equity holdings we were still able to return a fair overall yield on our investments, which while considerably lower than the rate generated in 2019 was a satisfactory outcome given the circumstances.

As a committee we endeavor to continuously upskill on various topics to enable us improve on the execution of our mandate. During the year our chosen area of focus was on Asset and Liability Matching, and we underwent valuable training facilitated by KPMG which will help us improve our ALM models and refine our approach in what remains a very challenging and complex investment environment.

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

Group Investment Assets
KES Billions

Group Investment Assets Growth
KES Billions

Company Investment Assets
KES Billions

Company Investment Assets Growth
KES Billions

ANDREW NDEGWA | CHAIRMAN

CHAIRMAN'S STATEMENT
BOARD AUDIT & RISK COMMITTEE

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

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

BALANCING OUR CORE RESPONSIBILITIES WITH EMERGING PRIORITIES

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

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

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

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

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

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

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

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

The Committee therefore carried out the following:

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

02 Reviewed the Company's Integrated Report

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

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

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

The Statement of Directors' Responsibilities on this can be found on page 100 of this report.

COMPANY CAPITAL ADEQUACY

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

FILING OF STATUTORY RETURNS

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

INFORMATION TECHNOLOGY

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

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

INTERNAL CONTROL & RISK MANAGEMENT

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

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

The Company's principal risks are set out from pages 59 to 68 of this report.

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

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

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

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

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

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

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

EFFECTIVENESS & INDEPENDENCE OF THE EXTERNAL AUDITOR

The Committee considered the effectiveness of Pricewaterhouse Coopers as the external auditor over the last year. In making this assessment the Committee has considered the information presented by the auditors, management responses to the auditor's findings, including any adjustments and the level of audit fees.

To fulfil its responsibilities in respect of the independence and effectiveness of the external auditor, the Committee reviewed:

- Terms, areas of responsibility, duties and scope of work of the external auditor
- Audit work-plan for the Group
- Detailed findings of the audit including a discussion on major issue that arose during the audit
- The letter from the external auditor confirming their independence and objectivity
- The auditor's fee
- The Committee is satisfied with the performance and independence of the external auditor

INTERNAL AUDIT

The Internal Audit department reviews the adequacy and effectiveness of the Company's adherence to its internal controls as well as reporting on strategies, policies and procedures. The internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against material financial misstatements or loss.

The Committee reviewed the proposed internal audit methodology and work plan. During the year, the internal audit department carried out internal audit engagements reviewing various functions within the Company. Key highlights of these reviews are indicated overleaf.

FUTURE OUTLOOK

The Committee understands the importance of a robust risk management process and controlled environment and looks to progressively strengthen it over time. In light of this, the Group is in the process of deploying a Dynamic Risk Assessment approach which will enable a connected view of risks; away from the traditional, two dimensional view of risk, by mathematically and visually illustrating risk connectivity, contagion and clusters. This interconnected view of risks will enable us to better manage the threats and opportunities that we face; enabling more efficient and targeted allocation of resources in this era of uncertainty.

2020 KEY AUDIT AREAS

The following are the internal audit reviews carried out during the year 2020

Audit Focus Area	Meeting Dates 2020	Overall Rating
IT Security Incidents Detection, Response and Recovery	10th March	No critical internal control weaknesses were identified during the review.
Review of Agents' Commissions as at 31 December 2019	10th March	The control environment needed improvements. Clear action plans were put in place with defined time frames and management responsibility.
Contact Centre Systems - Zoho CRM and Ameyo	23rd June	The control environment needed improvement. Clear action plans were put in place with defined time frames and management responsibility.
Bank Reconciliations as at 30 April 2020	23rd June	No critical internal control weaknesses were identified during the review.
Investment Properties as at 30 April 2020	23rd June	No critical internal control weaknesses were identified during the review.
Systems Development and Project Management	22nd September	Where limited weaknesses existed and controls could be further enhanced, clear action plans were put in place with defined time frames and management responsibility.
ICEA LION Trust Services Limited (Formerly ITSL) Core Business Systems - Agile PEN	22nd September	The control environment needed improvements. Clear action plans were put in place with defined time frames and management responsibility.
Group Shared Costs as at 30 June 2020	22nd September	No critical internal control weaknesses were identified during the review.
Financial Investments as at 30 June 2020	22nd September	No critical internal control weaknesses were identified during the review.
Deposit Administration as at 30 September 2020	22nd September	Where limited weaknesses existed and controls could be further enhanced, clear action plans were put in place with defined timeframes and management responsibility.
Anti-Money Laundering	10th November	Where limited weaknesses existed and controls could be further enhanced, clear action plans were put in place with defined timeframes and management responsibility.
ICT Network Operations	10th November	The control environment was acceptable with medium-to-low risk issues having been identified. Clear action plans were put in place with defined timeframes and management responsibility to address the highlighted issues
Annuities as at 30 September 2020	10th November	The control environment needed improvements. Clear action plans were put in place with defined time frames and management responsibility.

JAMES NDEGWA

CHAIRMAN'S STATEMENT

BOARD REMUNERATION & NOMINATIONS COMMITTEE

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

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

In 2020 the Committee executed the following key actions:

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

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

03 Oversaw the recruitment of senior management.

04 Reviewed and approved an enhanced employee benefits structure.

05 Considered and approved proposed human resource policies.

EXECUTIVE APPOINTMENTS

The Committee made the following executive appointments;

CHIEF EXECUTIVE OFFICER ICEA LION LIFE – GEORGE NYAKUNDI

Following the retirement of Justus Mutiga, the Chief Executive Officer of the ICEA LION Life Assurance on 31st December 2020, the Board appointed George Nyakundi as his successor effective 1st January 2021. Prior to his appointment, George served the Life business as the General Manager, Business Development & Technical Services since July 2016. George is an experienced professional in Life Assurance with over 30 years' experience in the industry. The business stands to gain from his wealth of experience.

The Group acknowledges and appreciates Justus for his 27 years of illustrious contribution to the Life business and the Group. We wish him well as he transitions to the next phase in life. We also look forward to retaining and drawing from his wealth of experience as he joins ICEA LION Insurance Holding's Board of Directors as a Non-executive Director.

REMUNERATION PHILOSOPHY

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

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

CHAIRMAN'S STATEMENT
BOARD GROWTH, INNOVATION & ICT COMMITTEE

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

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

MAKING WORK FROM HOME WORK

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

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

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

2020 ACHIEVEMENTS

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

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

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

FUTURE OUTLOOK

The recent proliferation of COVID-19 vaccines across the world heralds a probable change in global economic outlook. The World Bank forecasts that Kenya's GDP growth shall rebound to 6-7% in 2021, a healthy level. The opening up of the economy will mean more demand for our products and services and in particular our digital assets. With this in mind, we look to incorporate the following deliverables in our 2021 workbook:

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

APPRECIATION

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

MUGWE MANGA | CHAIRMAN

OUR RISK LANDSCAPE

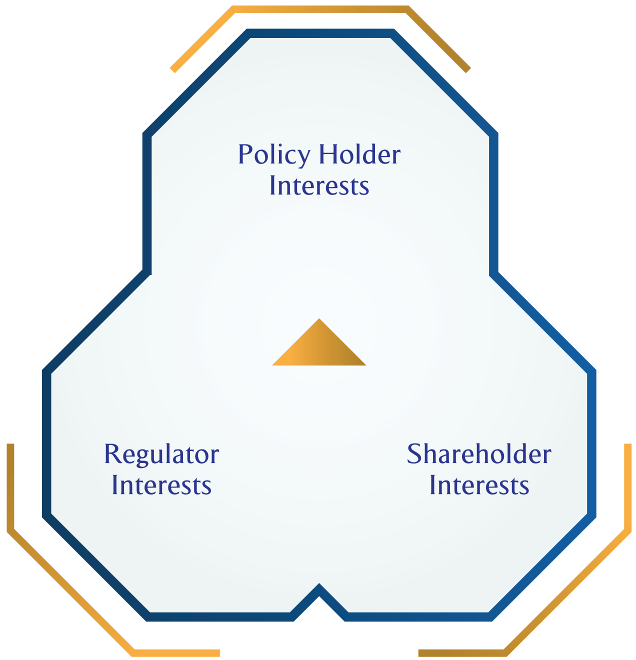
04

MANAGING CURRENT RISKS

The business of a life insurer is to manage collective risks passed to it by its policyholders. The primary risks that are managed by life companies are those due to the uncertainties caused by the demographic determinants of life assurance claims; that is, due to the incidence of death and survival among its policyholders. For us, just like all other life insurance companies, risk management is becoming increasingly complex. Products sold have attained a sophistication that requires more stringent risk management principles, and the risk landscape to which the Company is exposed has also changed radically.

UNDERSTANDING INTERESTED PARTIES.

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



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

1.0 INSURANCE RISK

This is the risk that the cost of contractual claims will be higher than that assumed in the premium basis. This risk has two elements; the amount of claim and the incidence of claims. Insurance Risk is managed by ensuring there is clear separation of risk takers from risk managers. Our Company has significant exposure to protection and annuity products which makes management of insurance risks a major focus. Under the savings-type products we focus on the management of persistency risk which is a key driver of this risk.

The main way to control claim incidence rates is by underwriting which classifies applicants into various risk groups. Reassurance is also used as a means of balance sheet protection.

2.0 BUSINESS RISKS

This is the contribution to our Company's risks caused by our trading activities. We have further divided this into the following elements:

a) Expense Risk

Our Company incurs expenses of management (policy administration, marketing, investment, and reassurance, actuarial and supervisory obligations). Expenses are monitored to ensure total expenses incurred are not more than those assumed in premium loadings.

b) Discontinuance Risk

Discontinuance risk occurs when a policy is lapsed or surrendered. A surrender value is payable on termination. Care is taken to ensure surrender values are based on realistic reserves to avoid paying surrender values higher than values of the policies.

c) Distribution Risks

This is avoided by distributing less of the estimated profits and appropriate reserving. We maintain a level of statutory free assets in order to provide a financial cushion against future adverse experience thereby providing necessary flexibility to achieve business objectives as a means of mitigating this risk.

d) Data Risks

Insufficient data is a common problem for insurance companies which may lead to the making of wrong assumptions during pricing and product development. As a result, data accuracy is a key area of focus for us and many times data from other sources such as industry, population and reinsurers is used to complement our own internal data.

e) Guarantees Risks

Some of the products we offer guarantee interest and impairment of capital by investment loss. The products with guarantees are: Deposit Administration (DA) and Personal Retirement Scheme (PRS) whereby there is the risk that capital may be impaired by investment loss and interest. We also have Annuity which has the guaranteed interest element.

These guarantees have costs and to manage them we have built sufficient reserves with an appropriate investment strategy.

f) New Business Risk (Valuation Strain)

This is the risk that there is the strain on the business due to inadequate premium amounts in initial years, which may not be enough to cover for the expenses, commissions and statutory reserves. New business may also cause strain on the institution's infrastructure rendering it unable to meet is objectives effectively. Our Company ensures adequate reserves are maintained to facilitate business growth. Further, we are continuously expanding our infrastructure to match business growth.

In order to ensure that we are able to meet our contractual liabilities to policyholders, our Company manages its assets in a sound prudent manner, taking into account the profile of its liabilities, its solvency position and its complete risk-return profile. We have established a well-defined risk tolerance and desired target return that we wish to achieve in our overall operations. The appropriateness of the asset allocation underpins our investment strategy which is reviewed periodically to ensure our Company is well protected.

The Board is responsible through the Board Finance and Investment Committee and the Management for ensuring sound and comprehensive investment and risk management policies which adhere to applicable regulations.

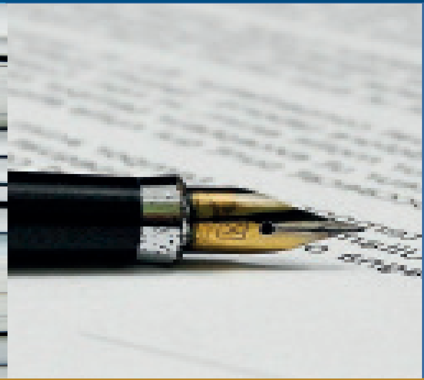
HEALTH, SAFETY & PSYCHOSOCIAL RISKS

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

INSURANCE RISKS

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

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

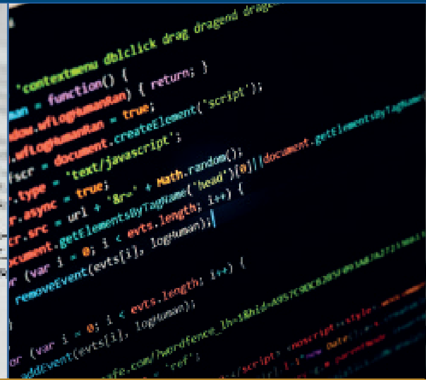


CREDIT RISKS

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

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

There is a Credit control policy which provides guidance on procedures and processes relating to debtors' management and provides a level of uniformity in the manner in which credit and debt management tasks are executed.



OPERATIONAL RISKS

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

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

STRATEGIC RISKS

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

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

MARKET RISKS

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

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

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

LIQUIDITY RISKS

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

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

REPUTATION RISKS

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

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

BUSINESS CONTINUITY RISKS

This is the risk of disruption of business activities due to internal and external risk events such as failure of technology, natural disasters such as floods, civil unrest, etc.

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

COMPLIANCE RISKS

These arise from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards as well as from the possibility of incorrect interpretation of effective laws or regulations.

We minimise compliance risks by ensuring all activities are conducted in accordance to all regulations, code of conduct and good practices as well as in conformance to internal policies and standards of operations.

Independent assurance and oversight is provided by the compliance and internal audit teams.

FRAUD RISK MANAGEMENT

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

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

BUILDING RESILIENCE THROUGH RISK INTELLIGENCE

We have put in place a strong integrated risk management processes in our daily business activities, as well as strong corporate governance structures that promote effective identification, monitoring and management of risk. We have established a fully-fledged risk management and compliance function headed by a senior officer. Independence of this function is maintained by a direct reporting line to the Board Audit and Risk Committee. This position is the focal point of in-house risk management compliance monitoring, authentication and related activities. This function has coordinated the setup of the risk appetite by the Board of Directors which has been cascaded to the senior management team.

Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. Specific key risks are also measured individually against pre-defined risk tolerance levels. These structures include well developed and documented internal procedures, clearly defined reporting lines and well-structured regular training programs for staff. The latter is intended to enable staff attain a clear appreciation of the nature of business risk; the likely consequences of not giving adequate attention to, or failure to properly manage risk; and of the universally accepted and internally prescribed techniques of effectively managing risk.

Integration of risk management has been a journey that has led to continuous improvement, the latest of which is the move towards quantification of risk through the Risk Based Capital regime by the Insurance Regulatory Authority.

RISK MANAGEMENT GOVERNANCE & PRINCIPLES

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

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

RISK CULTURE

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

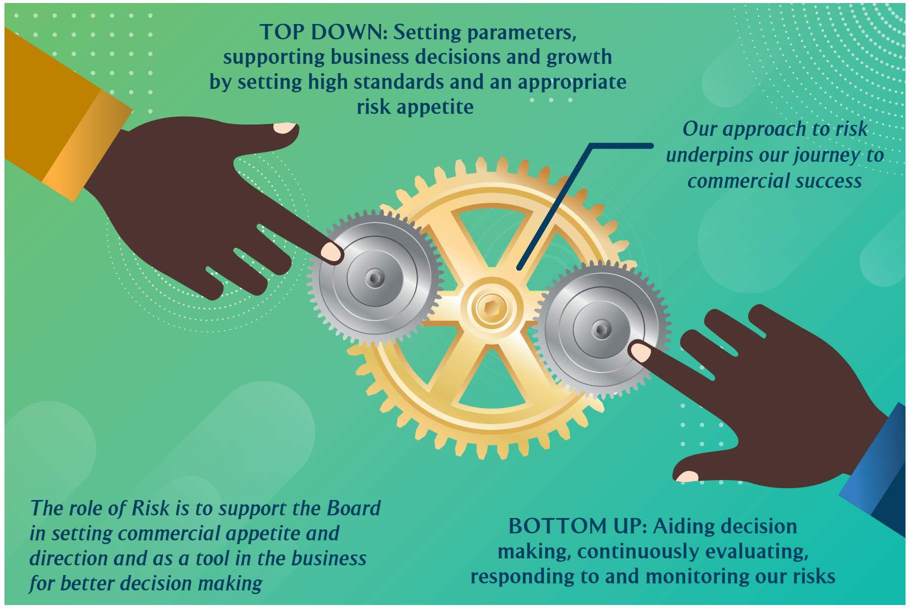
RISK MANAGEMENT FRAMEWORK

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

Key elements of this framework include:

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

OUR ROBUST APPROACH TO RISK MANAGEMENT



RISK HEAT MAP

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

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

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

COVID-19 & THE INTERCONNECTEDNESS OF RISKS

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

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

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

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

DYNAMIC RISK ASSESSMENT (DRA) APPROACH

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

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

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

MANAGING OTHER FUTURE RISKS

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

Risk

CLIMATE CHANGE

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

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

Approach

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

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

Risk

CYBER RISKS

According to the World Economic Forum Global Risks Report, cyber-attacks continue to be perceived as of highest concern to business especially in the post-COVID-19 environment. This has further been exacerbated by working from home arrangements which made institutions lower their cyber risk defences, not necessarily out of carelessness but largely as a result of the shift in focus and attention occasioned by the pandemic. Cyber-attacks are not only a concern for organisations, but for nations at large, changing the landscape of modern-day political machination and even warfare. Yet, with every passing year, the African cyber security landscape rapidly evolves. This region is even more vulnerable due to cyber security funding gaps as well as a lack of loss-data that would help in pricing of cyber insurance products in the market. Therefore, cyber insurance products remain pricey and out of reach for many organisations.

Approach

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

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

Risk

SOCIAL DEMOGRAPHIC CHANGES: THE RISE OF THE PANDEMIALS

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

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

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

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

Approach

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

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

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

Risk

ARTIFICIAL INTELLIGENCE AND BIG DATA

We recognise the profound impact disruptive technologies have had on our business in the last decade and the likelihood for more disruption in the years to come.
These include the Internet of Things (IoT), block chain, augmented reality, artificial intelligence, cloud processing, robotics and the growth of mobile technology. Availability of customer data, combined with technological capabilities of processing data quickly provides new opportunities in terms of customer segmentation and pricing.
New technology is crucial in terms of opening up new markets, spurring growth of the insurance industry as well as the ancillary businesses that grow around them. It however creates potential risks such as cyber risks which challenges institutions' traditional risk management models. Technology as a key process driver within the institution may also impair business continuity in the event of malfunction of systems and processes.

Approach

We are leveraging on cutting-edge technologies for the management and analysis of data as we work towards greater direct interaction with our clients. We have dedicated significant attention and resources on developing our digital infrastructure through our digital transformation project.
Our approach towards innovation, technology and design thinking is compelling us to shift our mind set from "product-first" to "customer-first".

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

Risk

NATURAL RESOURCES MANAGEMENT AND ENVIRONMENTAL MANAGEMENT

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

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

Approach

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

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

Risk

TERRORISM AND THREATS TO NATIONAL SECURITY

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

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

Approach

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

ICEA LION
LIFE ASSURANCE

OUR VALUE CREATION

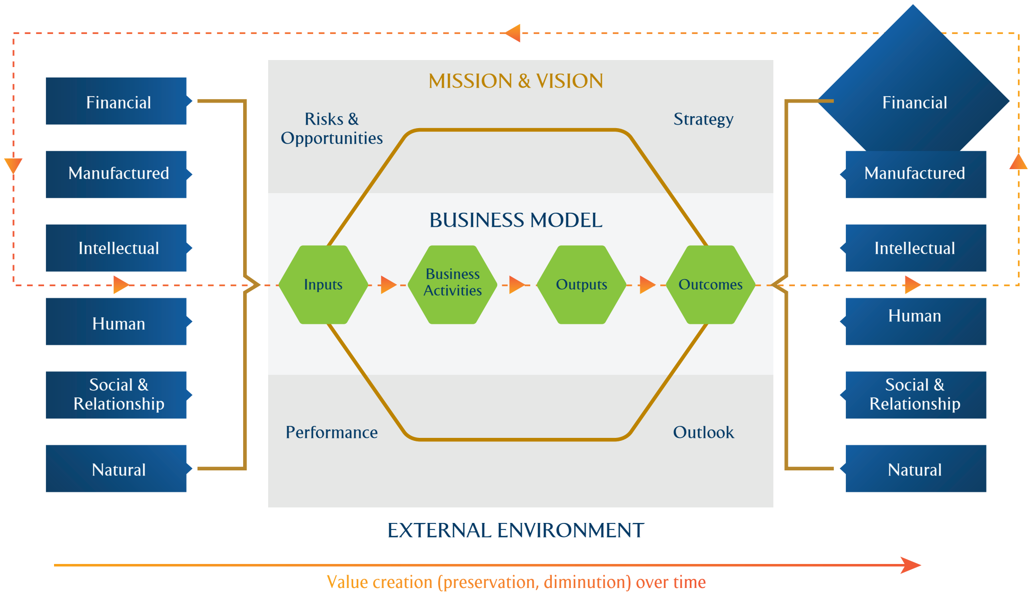
05

OUR APPROACH: THE 6 CAPITALS MODEL

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

MAINTAINING OUR CAPITALS TO CREATE VALUE IN THE FUTURE

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



EMBRACING THE SIX CAPITALS MODEL & THE TRIPLE BOTTOM LINE

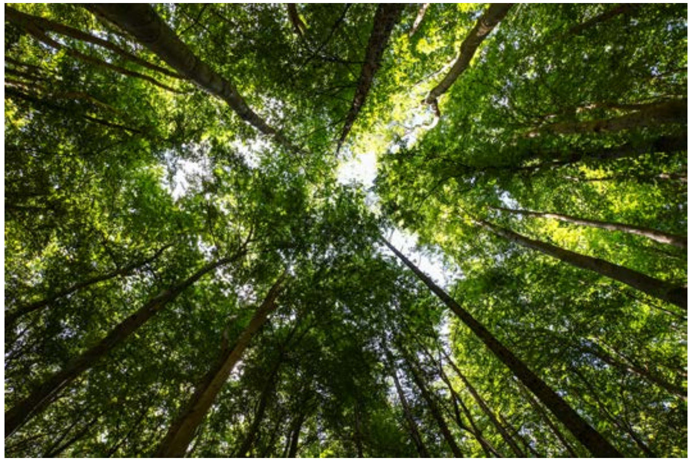
The Triple Bottom Line has been particularly influential in corporate reporting practices. For a long time, Triple Bottom Line and sustainability have been the preferred terms to refer to the non-financial reporting practices of large organisations.

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

ENSURING OUR SUSTAINABILITY BY EMBRACING THE SHARED VALUE APPROACH

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

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



1. Our Human Capital

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

2. Our Natural Capital

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

3. Our Social and Relationship Capital

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

4. Our Intellectual Capital

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

5. Our Financial Capital

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

6. Our Manufactured Capital

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

MATERIALITY ASSESSMENT

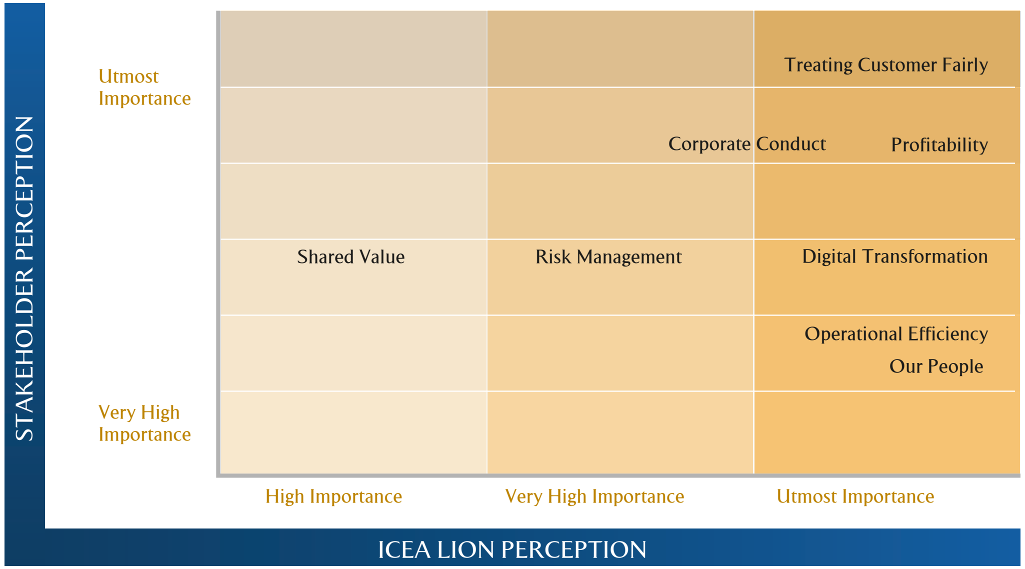
OUR MATERIAL ISSUES

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

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

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

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



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

1 HUMAN CAPITAL

OUR PEOPLE ARE IMPORTANT TO US

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

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

ADDRESSING COVID-19 PANDEMIC CHALLENGES

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

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

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

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

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

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

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

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

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

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

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

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

OCCUPATIONAL SAFETY & HEALTH

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

LEARNING & DEVELOPMENT INITIATIVES

COACHING FOR ENGAGEMENT AND PRODUCTIVITY

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

OUR CERTIFIED ICEA LION GROUP COACHES

GEORGE NYAKUNDI

PETER WACHIRA

NKATHA GITONGA

ANDREW MUTURI

EVELYNE MUSUNZAR

RADCLIFFE NYAMAI

ELIZABETH IRUNGU

KEVIN NYAKERI

ZIPPORAH CHEGE

CAROL MAINA

MARYLEEN THOME

DAVID TOO

KAREN OLEGE

DOROTHY MASEKE

ENID OTIENO

LYDIA MWIRIGI

ANNE NJUGI (UGANDA)

PATIENCE ARINAITWE (UGANDA)

PATRICIA KIHARA

BARACK OBATSA

ICEA LION ACADEMY

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

CAPACITY BUILDING FOR AGILE WORKING METHODOLOGY

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

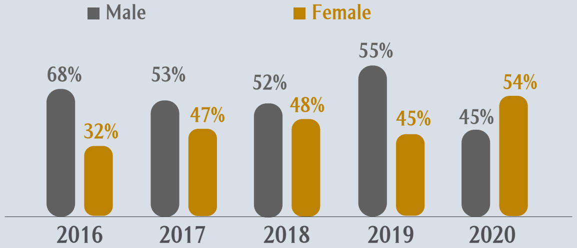
An agile culture baseline survey was done to measure the maturity level of the Group to implement agile methodology. The baseline survey report gave very significant insights that would guide the Group in the implementation, measuring and monitoring of our culture change journey towards achieving the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

AUTOMATION OF PERFORMANCE MANAGEMENT PROCESSES

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

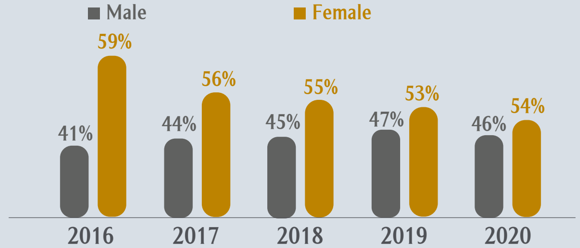
HUMAN RESOURCE DATA

Management Staff Gender Balance (%)



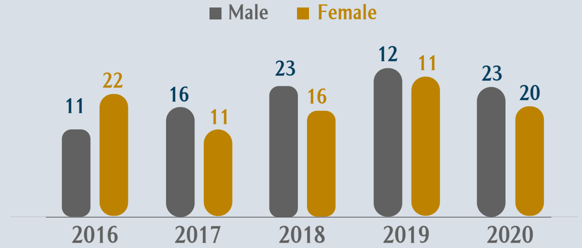
Over the years, our group has been conscious about providing all genders equal opportunities in management and over the last three years great strides have been made towards that end.

Other Staff Gender Balance (%)



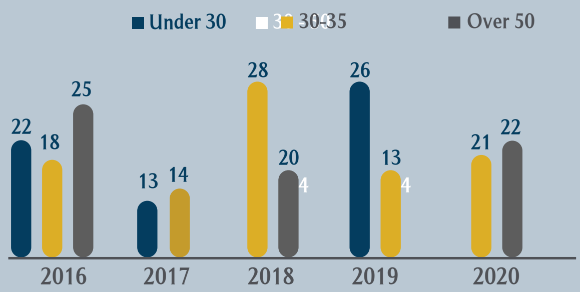
We continue to be conscious about gender parity by ensuring that both genders have an equal work opportunity and over the years great progress has been made towards that end.

New Hires



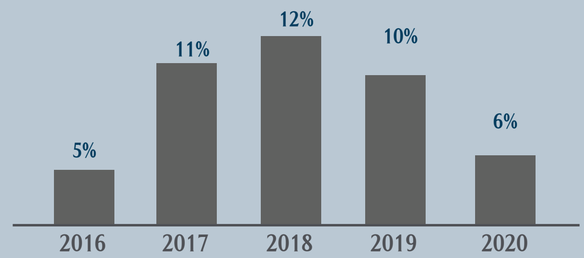
The company has been striving to accord equal employment opportunities over the years to both males and females.

New Hires by Age



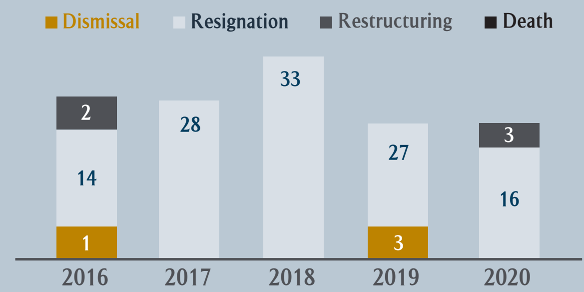
Over the last three years, the number of new hires aged 30 years and below has been the highest as the company strives to create more opportunities to young talent without leaving out those over 30 years who carry more experience.

Staff Attrition Rate



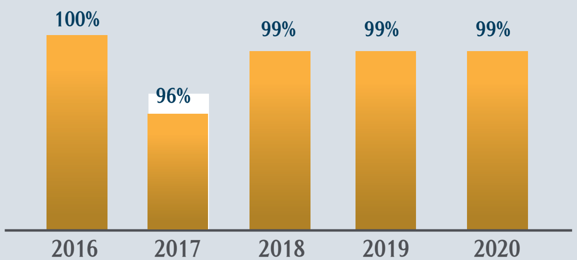
The average staff attrition rate over the last three years has been high topping off at 12% in 2018. However, a lot of effort has been made to improve staff retention and this is evident by the downward trend after 2018.

Staff Separation



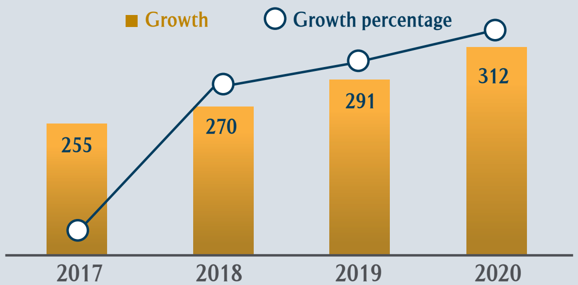
In the last three years, the number of instance where the company has had to separate with an employee has increased gradually with most cases being resignations. However, in 2020 this number went down.

Retention Rate for Best Performing Staff



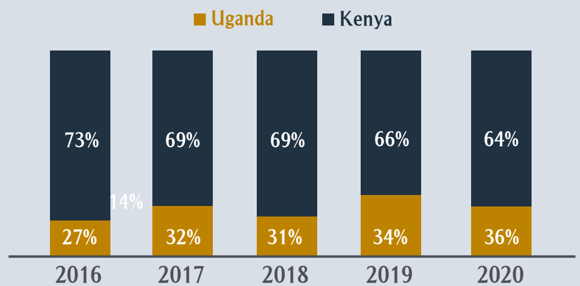
Over the years, the company has managed to retain on an average, 99% of its best performing staff.

Total Headcount



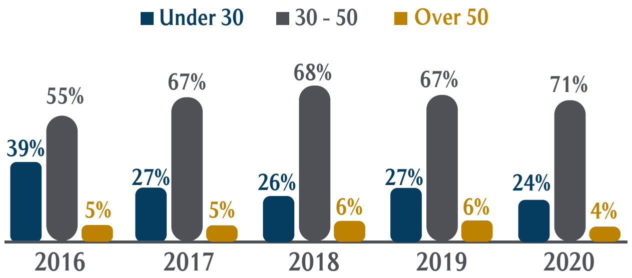
Over the last three years, there has been a gradual and steady growth in the number of employees across the region.

Regional Split of Headcount (%)



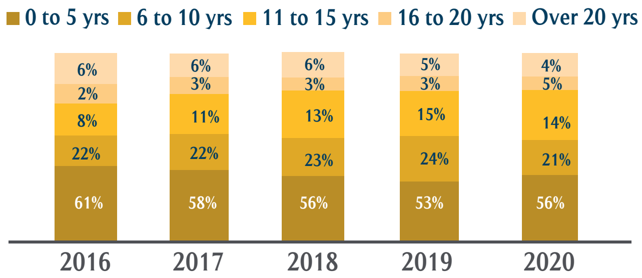
The company has maintained a steady count of employees across the region over the years with Kenya having the most number since this where the Head Office is domiciled.

Headcount by Age Group (%)



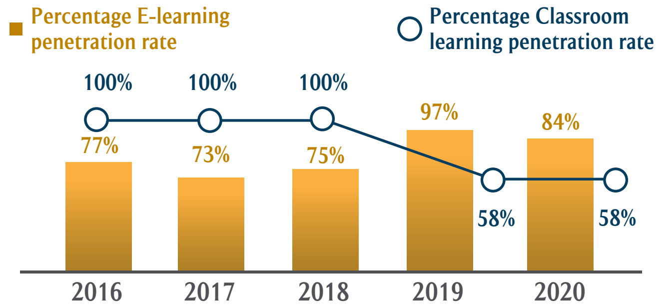
The employee mix over the years has remained steady and fair with majority of employees being between 30 - 50 years old depicting a fairly balanced demography.

Employee Years of Service (%)



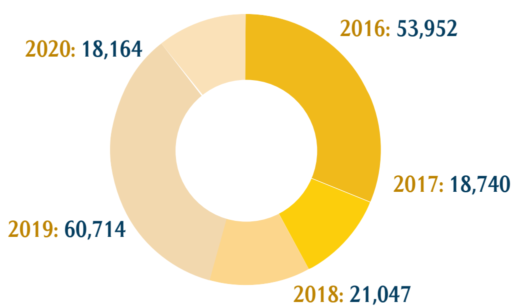
Over the last three years, the average years of service for employees has been steadily increasing. However, those with less than 5 years of service remain the majority.

Employee Learning & Development



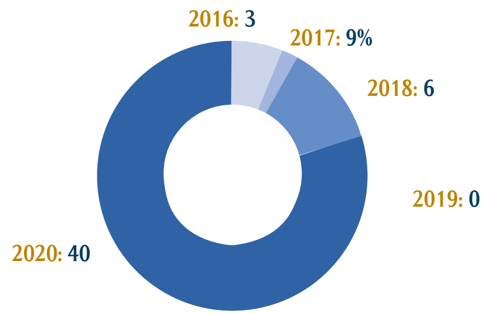
There was a steep decline in classroom penetration in 2019 compared to the previous 3 years where it was at 100%. Nonetheless, the percentage of e-learning penetration has improved significantly.

Learning Costs per Employee (KShs)



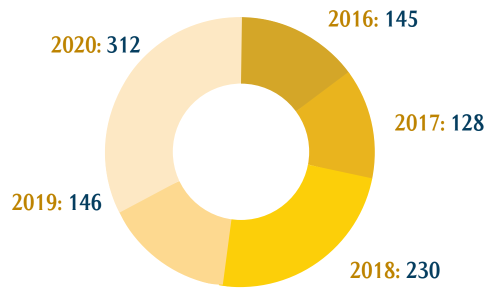
The learning cost per employee over the last three years has increased significantly depicitng the company's commitment to ensuring its employees are equiped with the necessary skills requireed to perform their daily duties. However, there was decline in 2020 compared to 2019.

Staff Involvement in Social Development Activities



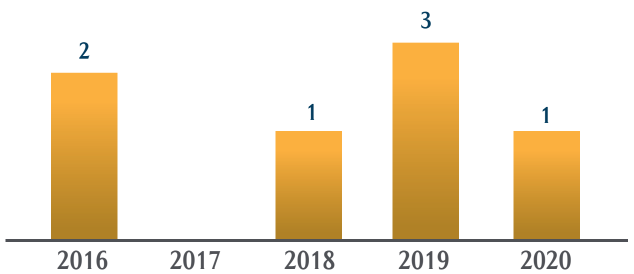
Over the last three years, the number of employees who have had the opportunity to receive internation exposure in the form of training or work experience has increased significantly. 2020 saw the highest number so far with 40 staff getting the opportunity.

Wellness Program



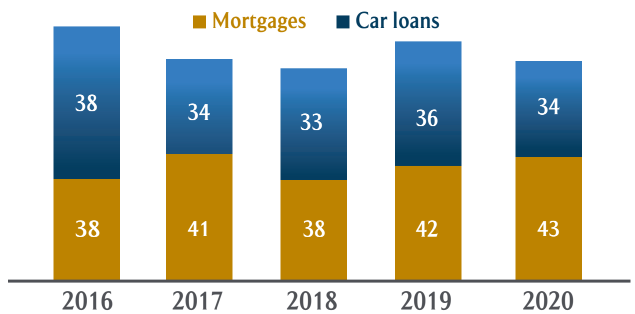
Over the last three years the number of employee involvement in the wellness program remained above average.

Staff Surveys



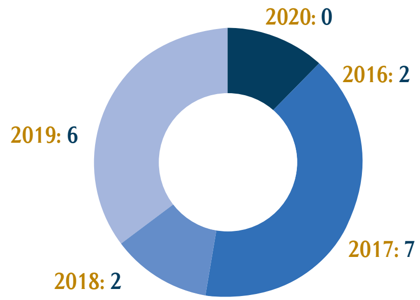
The level of employee engagement through staff surveys has generally remained low over the last three years.

Staff Benefits



Over the last three years, the number of employees who have benefited for the mortgage and car loans benefit has been steady with minimal downward and upward shifts.

Exchange Programs



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

2 INTELLECTUAL CAPITAL

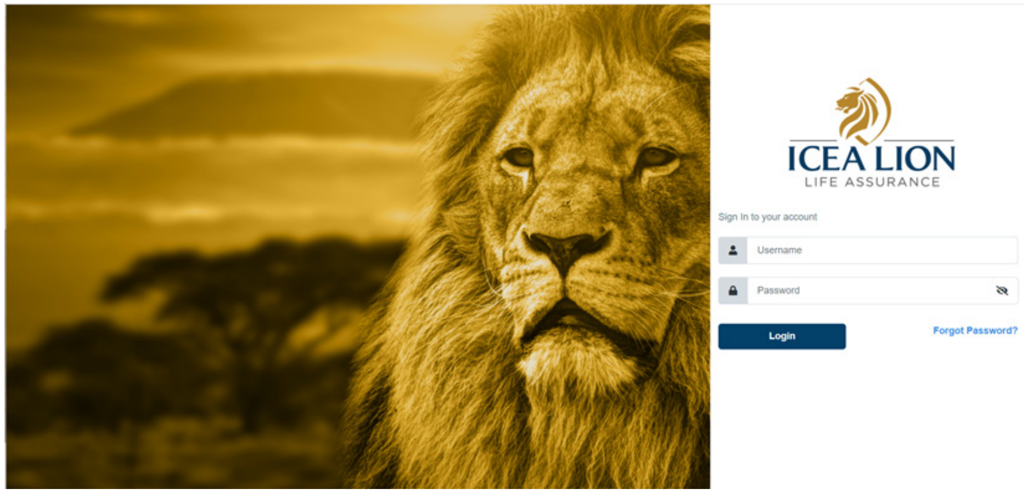
We continue to create value through various initiatives that enhance the collective institutional knowledge and intellectual wealth at ICEA LION.

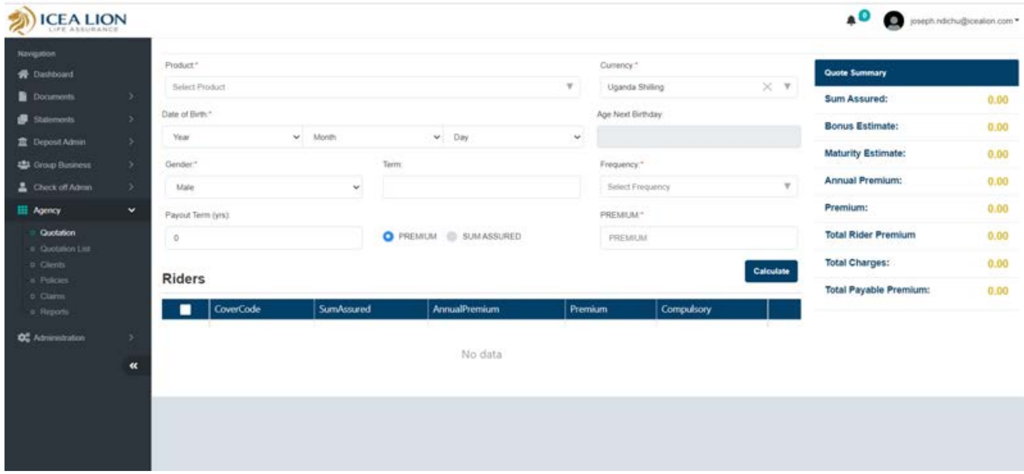
PORTALS FOR OUR INTERMEDIARIES & DEPOSIT ADMINISTRATION PARTNERS

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

We further refined our doctors' portal for medical underwriting for greater customer convenience and business efficiency.

The portal launched in 2020, allows our intermediaries to access their Client information, commission statements and track payments online.

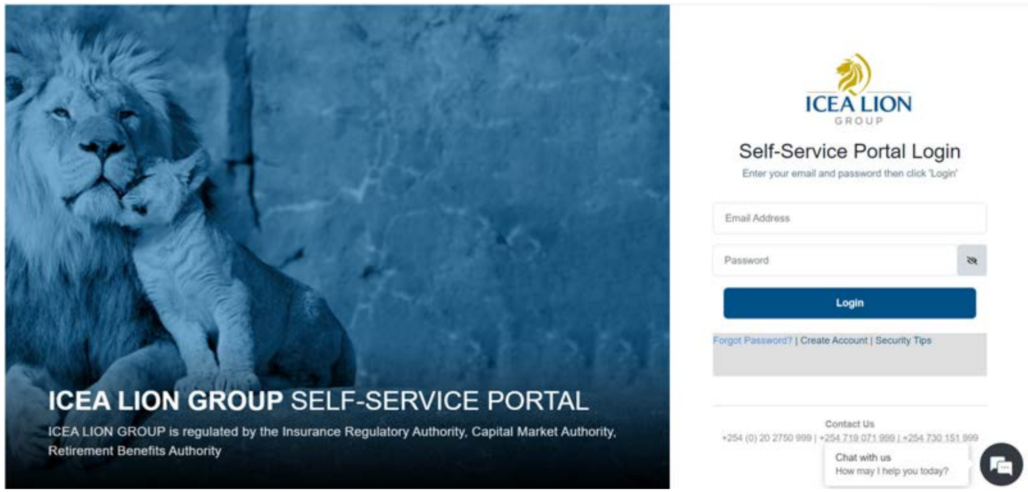




IMPROVEMENT OF OUR SELF-SERVICE PORTAL

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

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



3 SOCIAL & RELATIONSHIP

CORPORATE GOVERNANCE

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

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

ANTI-BRIBERY AND CORRUPTION

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

SUPPLIERS

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

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

GOVERNMENT AND REGULATORS

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

DATA PROTECTION

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

OUR CORPORATE CITIZENRY

Our Passion To Safeguard The Future Of Lions In Kenya

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

Protecting lions in the wild is an important part of securing our economic future as a nation. As an organisation we strongly believe that our partnering with Kenya Wildlife Service and other world renown local conservationists like Lewa Conservancy ensures the future of our economy.

Our I SEE A LION Corporate Social Investment Campaign is aptly named, and has a strong connection with our company name ICEA LION. It is aimed at ensuring that future generations get to SEE lions roam freely in the wild and future.

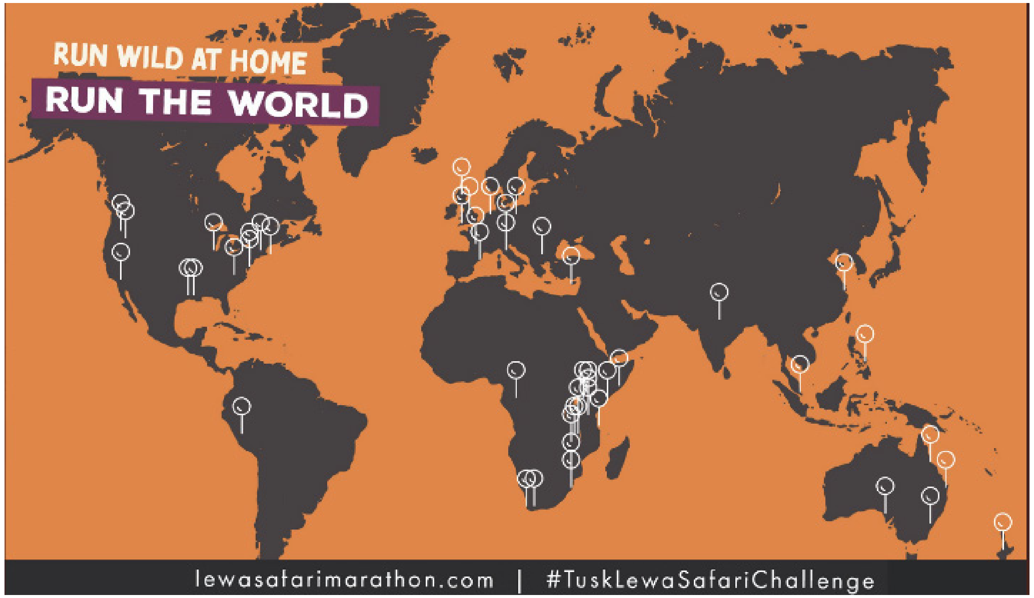
We identified two key initiatives in this regard:

- **The Nationwide Lion Census:** In collaboration with Kenya Wildlife Service, we have contributed Kshs. 1.28 Million towards the Conservation Partners Methodologies & Standardization Workshop as well as the pilot census undertaken at Lake Nakuru National Park. In 2019, ICEA LION invested Kshs.1.7 Million towards purchase of census equipment to complete the exercise across the country.

- **The Human-Wildlife Conflict Interventions:** We have invested over Kshs. 12.5 Million with conservation partners Ewaso Lions and Lewa Wildlife Conservancy to support community conservation programmes. Indeed, in 2018 and 2019, we took our ICEA LION Teams to Lewa Conservancy to engage with the locals as well as students to learn about Lion Conservation Education and the Lion Predator Programme.

We had plans to support this cause further in 2020, but owing to the impact of COVID-19, our KES 5 Million was donated to the National Emergency Response Fund.

THE VIRTUAL LEWA MARATHON



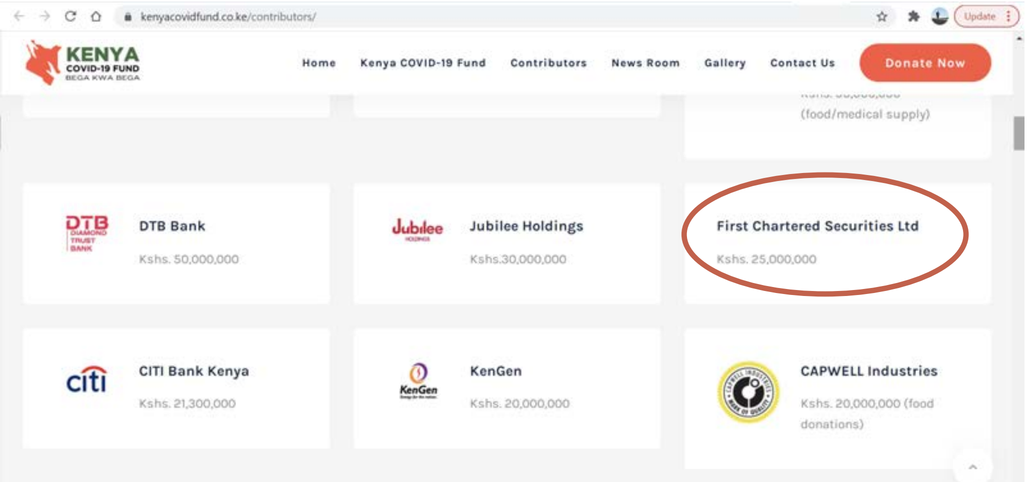
Due to the COVID-19 pandemic, marathon enthusiasts could not run the famous and familiar Lewa Safari Marathon routes, share the course with wildlife nor enjoy the beautiful views at Lewa. However, thousands of conservation lovers across the world, stayed energized.

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

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

DONATION OF KES 5 MILLION TO THE COVID-19 NATIONAL EMERGENCY RESPONSE FUND

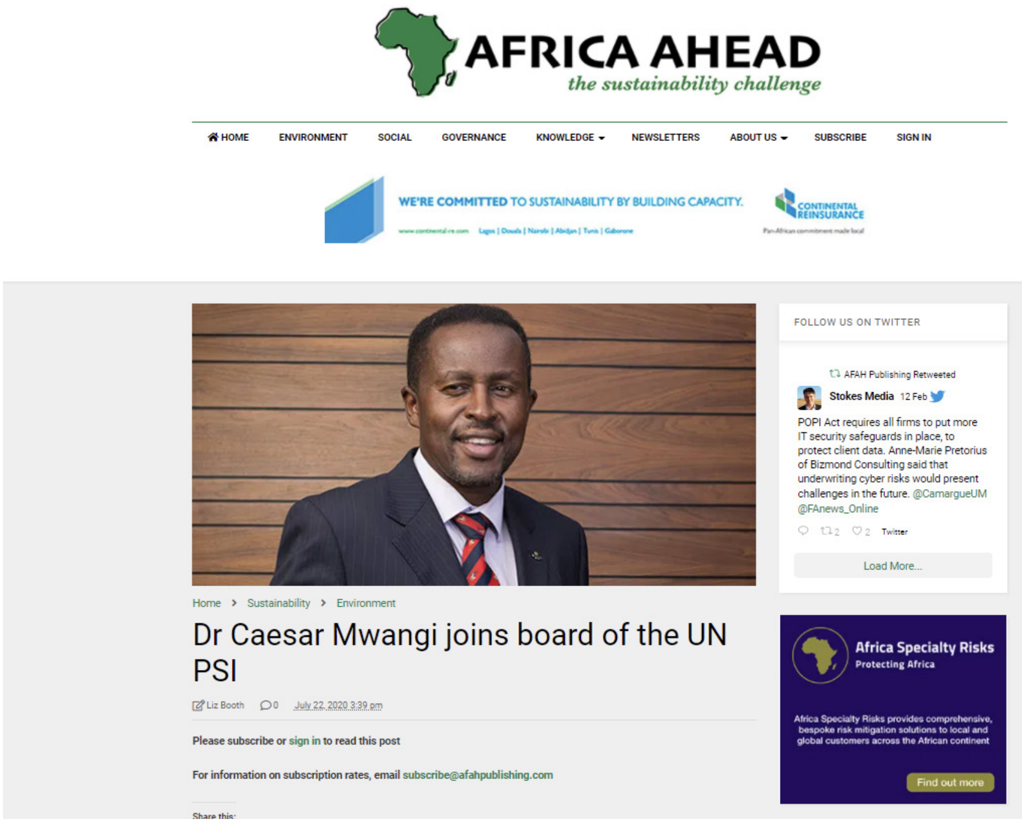
ICEA LION Life Assurance and ICEA LION General Insurance Companies donated KES 5 Million each, along with our sister Company East Africa Re, and our parent Company First Chartered Securities for a total donation of KES 25 Million towards humanitarian and food relief efforts during the pandemic.



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

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

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



4 NATURAL CAPITAL

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

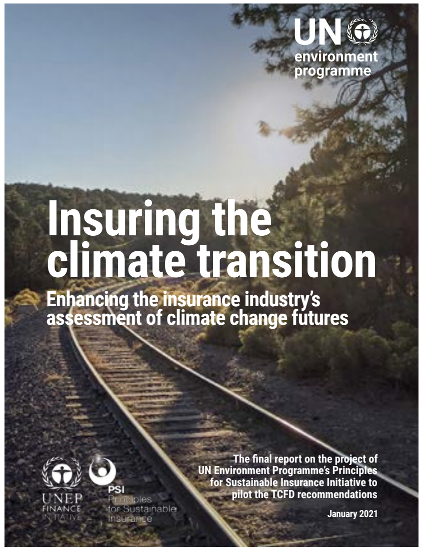
As a Group, we recognise that we have a significant responsibility towards environmental sustainability as a means of protecting natural capital. We are committed to minimize our impact on the environment through deliberate management of environmental risks and prevention of pollution.

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

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

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

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



Insuring the climate transition

Acknowledgements

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

PSI TCFD pilot group members

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

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Sarah Tang & Diana Diaz
Project Assistants
Programme Assistants
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OUR FOCUS ON ENVIRONMENTAL SUSTAINABILITY

The following activities indicates out commitment towards environmental sustainability:

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

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

Additionally, we do not knowingly:

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

ICEA LION Life Assurance has contributed KES 8.7 Million towards Nature and Conservations efforts between 2012 and 2020.

ESG IN RISK ASSESSMENT & UNDERWRITING

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

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

RESPONSIBLE CONSUMPTION

We continuously work to reduce carbon footprint of our activities. The business continues to manage the above four activities and this is evidenced by the level of costs incurred on various parameters as highlighted below. There was a significant drop in electricity and paper costs during the year.

Cost Line (Kes "000")	2020	2019	2018	2017	2016
Electricity	5,622	6,131	5,044	4,431	4,740
Paper cost	701	1,162	1,022	833	813

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

5 MANUFACTURED CAPITAL

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

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

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

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

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

We have leased 22 other properties that host our branches in Kenya and our subsidiaries in Uganda. For all our properties, we have employed best practice processes in terms of health and safety and environmental management.

OUR DIGITAL PLATFORMS AND OPERATING PHILOSOPHY

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

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

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

The table below highlights some of our key ICT infrastructure.

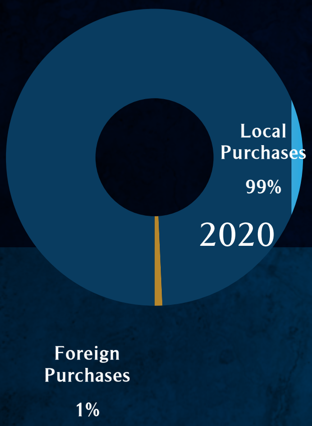
- Robust Infrastructure
- CRM Solution ZOHO
- Social Media Platforms
- Live Chat
- Website
- Contact Centre
- Self Service Portal
- Data Security
- Cyber Security
- Electronic Data Management System
- Business Intelligence Portals
- Robust Financial Systems
- Analytics Capabilities
- Governance Risk & Controls Module
- Unified Threat Management Solutions
- Mobile Platforms
- HR Module ZOHO People
- Intranet
- Cloud Based Solution
- Data Centre
- Motor Insurance Portal
- Motor Garage & Assessment System
- USSD Platform
- Boardvantage
- Cloud Based Solutions

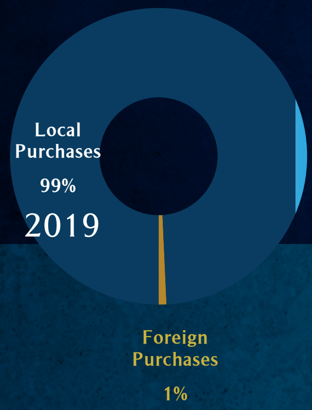
FINANCIAL CAPITAL

CREATING REGIONAL VALUE THROUGH OUR FINANCIAL CAPITAL

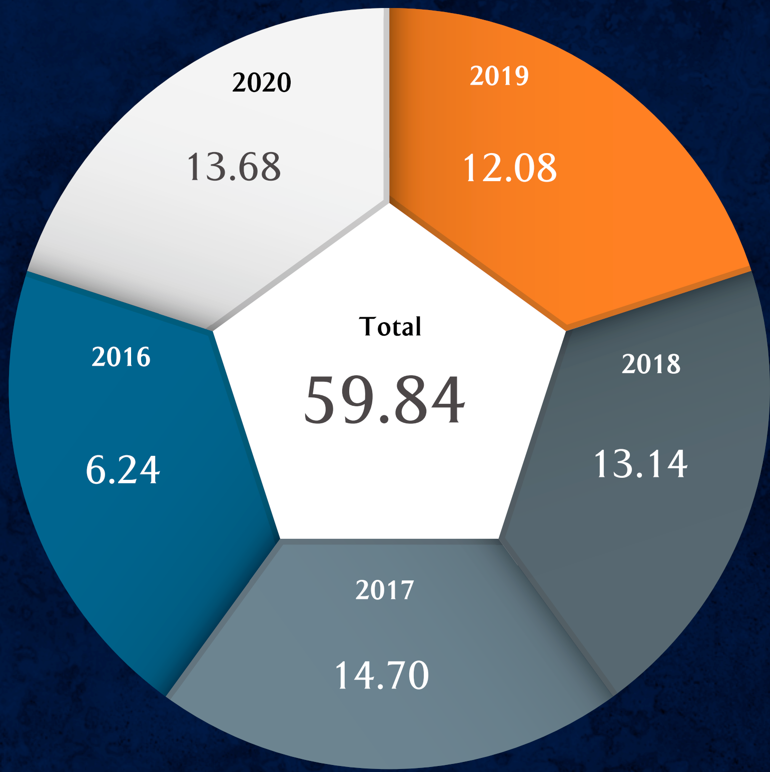
ICEA LION Life Group's contribution to regional economic sustainability over the past five years in terms of payments and transfers to key stakeholders has exceeded KSHS. 59.84 billion as shown on the chart to the right.

Supporting qualified local suppliers when procuring any goods and services is our first choice. In 2019 and 2020, 99% of our purchases was spent on local suppliers. Our supply chain strategy is to engage with our suppliers and commit to our procurement, sustainability and environmental charters as we embed the principles of sustainable insurance across the entire value chain. We believe that together we can deliver economic solutions to support both our business as well as to ensure the continued socio-economic growth of Kenya.





VALUE DISTRIBUTED TO KEY STAKEHOLDERS* KES Billions



*Key stakeholders:

- Customers
- Shareholders
- Employees
- Sales Agents
- Government

VALUE ADDED STATEMENT

GROUP	2020	2019	2018	2017	2016
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Gross written premiums & interest income	16,645	17,658	13,585	16,789	10,627
Less; Insurance ceded and costs of other services	1,673	1,698	1,496	1,373	1,196
Wealth created:	14,972	15,960	12,088	15,416	9,432
DISTRIBUTION:					
Employees - salaries, wages and other benefits	1,060	1,063	915	782	748
Benefits to Sales Agents	1,155	989	830	799	719
Benefits & interest payment to policy holders	10,574	9,329	10,782	12,513	3,930
Taxes paid to Government	541	448	412	410	384
Dividends to Shareholders	435	250	200	200	460
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation Amortisation	252	156	75	107	115
Retained Earnings	2,076	3,233	(446)	990	2,708
Total distribution:	14,972	15,960	12,088	15,416	9,432

COMPANY	2020	2019	2018	2017	2016
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Gross written premiums & interest income	13,742	15,241	11,473	14,737	8,898
Less; Insurance ceded & costs of other services	873	858	805	694	609
Wealth created:	12,869	14,383	10,667	14,043	8,289
DISTRIBUTION:					
Employees - salaries, wages & other benefits	577	621	519	453	431
Benefits to Sales Agents	857	744	614	570	500
Benefits & interest payment to policy holders	9,807	8,692	10,101	12,085	545
Taxes paid to Government	250	227	185	211	236
Dividends to Shareholders	435	250	200	200	460
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation & Amortisation	111	101	53	82	93
Retained Earnings	1,582	2,962	(511)	675	2,561
Total distribution:	12,869	14,383	10,667	14,043	8,289

CHIEF FINANCIAL OFFICER'S REVIEW

> *The company's asset base surpassed the KES 100 Billion mark to close the year at KES 103.4 Billion (2019 KES 93.5). This was both an industry and regional first, as ICEA LION Life became the only insurance company in Eastern and Central Africa to get past the KES 100 Billion milestone.*

LEADING THROUGH THE CRISIS

In 2020, the COVID-19 pandemic set in motion a series of shocks and changes that the world had hitherto not anticipated. In the weeks and months that followed March 2020, the pandemic wreaked havoc on governments' finances, sank businesses, upended industries and changed the way we live and work. The significant uncertainty fueled by the pandemic led to unprecedented financial market dislocations and volatility. More discussion on the effects of the pandemic are set out in the Operating Context section on page 27-28 of this Integrated Report.

As if taking heed of Winston Churchill's quip on not letting a good crisis go to waste, humanity seized new opportunities brought about by COVID-19. Multi-year plans of digital transformation were compressed and achieved in a matter of months. Trends such as working from home, online education and having business and board meetings on online meeting platforms took centre stage. Previously, little known companies like Slack, Zoom and Glovo became instant global brands and household names. In the end, a new normal had without a doubt, forcefully and firmly been thrust upon us. We will hopefully, in the fullness of time tell our great grandchildren about the 2020 pandemic as historians tell us of the 1918 Spanish Flu.

The economic uncertainty and financial market dislocations forced us to change course and approach. Our Crisis Management Committee met on a regular basis as the operating arena shifted rapidly. As the company Chief Financial Officer, one of my most important roles was to spearhead generation of stress test scenarios and put in place cash flow management and preservation programs. To any business, cash flow is the oxygen that keeps operations humming and ensures that the entity remains afloat. In this regard, as a business, we carried out various stress tests under best-case, base-case and severe-adverse scenarios.

The thrust of our stress tests was to ensure that the business successfully navigated the crisis by:

01 FIRST AND FOREMOST, ENSURING THE HEALTH AND SAFETY OF OUR EMPLOYEES

02 SECURING THE HEALTH OF OUR COMPANY; BY TAKING MEASURES TO CAREFULLY MANAGE CASH FLOW BY DEFERRING, POSTPONING AND ELIMINATING SOME EXPENDITURE IN THE YEAR 2020

03 TAKING CARE OF OUR CUSTOMERS AND PARTNERS, MOST OF WHOM WERE IMPACTED BY THE PANDEMIC AND PROVIDING THEM WITH DIGITAL WAYS OF CONNECTING WITH US

I am glad to report that at end of 2020, our actual performance was above the best-case scenario and above 2019 on most key areas.

GROUP BUSINESS PERFORMANCE REVIEW

REVENUE

Our group delivered a great performance despite the harsh operating environment. Our Group premium and contributions grew by an inflation-beating, double-digit rate of 15% to KES 17.2 Billion (2019 KES 14.8 Billion). The corporate retirement business registered solid gains in the year. Additionally, the individual retirement business equally recorded good growth. As expected, our ordinary life business suffered the impact of the pandemic containment travel restrictions, curfews and closures of various sectors. All told, performance of this business line rebounded and was above our best-case scenario as at the end of the year. Our star-studded agency force internally known as "The Network" did us proud in this regard.

INVESTMENT INCOME

Group Interest and other realized investment income from our financial assets portfolio grew by 14% to KES 10.7 Billion (2019 KES 9.4 Billion). Rental yields came under pressure due to a slowdown in the property market. Listed equities recorded losses on the back of a slump at the Nairobi Securities Exchange.

CLAIMS OUTGO & EXPENSES

Given the hard economic times, retirement benefits payments and withdrawals were elevated during the year 2020. In total, our Group paid out over KES 11 Billion in claims outgo. This solidified our Group's position as a credible partner who comes through when most needed, by our customers. It further validated our financial strength in meeting all business obligations as and when they fall due.

As an aside, at the other end of these numbers are human beings and families that directly and indirectly benefited in their hour of need. In this regard, we indeed lived up to our brand promise *"Through Every Life-Changing We're Better Together".*

Corporate expenses were well under control as our company cut back on spending to power through the pandemic. Company operating expense ratio was at 7.39% down from 9.20%.

PROFITABILITY

The Group delivered a solid profit performance because of operational efficiency, stronger than expected business growth and higher interest income from the increased asset base. Group Profit Before Tax reduced to KES 2.2 Billion from KES 4.6 Billion in 2019 mainly on account of revaluation losses on listed equities and increased claims outgo due to COVID-19.

BALANCE SHEET

The company's asset base surpassed KES 100 Billion mark to close the year at KES 103.7 Billion (2019 KES 93.5). This represented a year on year growth of 11% or KES 10.2 Billion in absolute terms. This was both an industry and regional first, as ICEA LION Life Assurance became the only insurance company in Eastern and Central Africa to achieve this milestone. At the Group level, total assets grew by KES 12 Billion (12%) to KES 111 Billion (2019 KES 98.9 billion).

As at 31st December 2020, Group capital and reserves amounted to KES 15.3 Billion (2019 KES 13.4 Billion). Company Capital adequacy remained healthy and well above the required levels by the Risk Based Capital regime. Our capital adequacy ratio stood at 318 % (2019 326%) representing a respectable 100% above the required level of 200%.

REPORTING MATTERS

IFRS 17 remains the most significant and impactful accounting standard for the insurance industry and is slated for implementation on 1st January 2023. Rollout of the standard will demand robust new systems and data capture processes, upskilling of our people and involvement of multiple stakeholders beyond those in finance roles. As a Group, we are on track towards the implementation of this major new standard.

LOOKING AHEAD

COVID-19 has indeed delivered a lot of economic uncertainty with a long winding road to recovery in the days to come. However, as a Group, we are well poised to face future challenges and take advantage of opportunities that lie ahead.

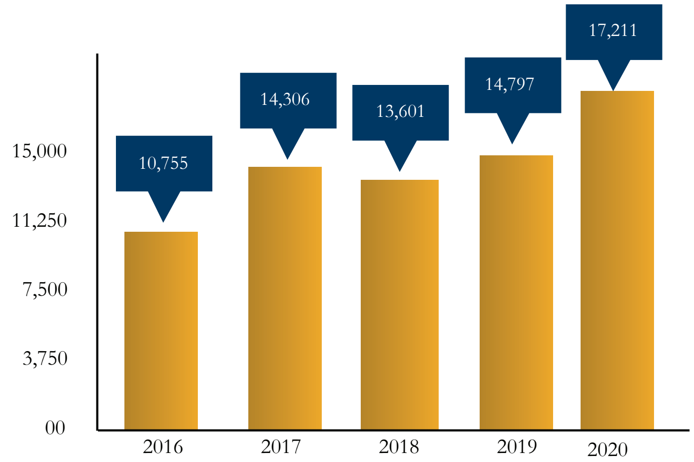
The key sources of our competitive advantage include people with integrity and talent, a strong financial position, focused management of profit drivers and good corporate governance practices. These items are part of our secret sauce that puts us in a position of considerable promise and strength to face the future.

We remain steadfastly committed to our business philosophy of taking on sustainably profitable business that safeguards the long-term interests of all our stakeholders.

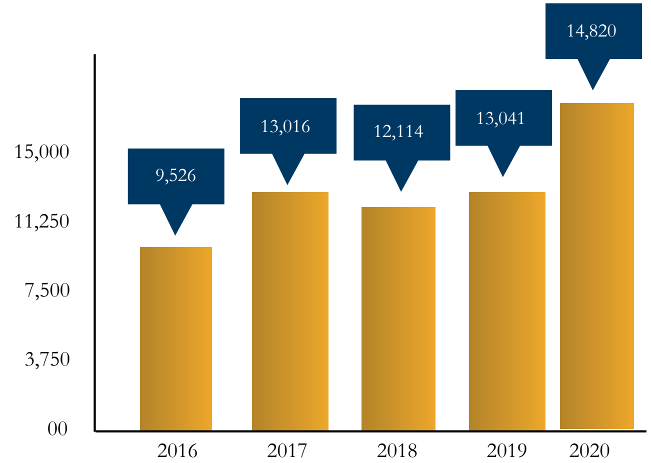
KEVIN NYAKERI, CFA | CHIEF FINANCIAL OFFICER

GROUP & COMPANY 5 YEAR FINANCIAL HIGHLIGHTS

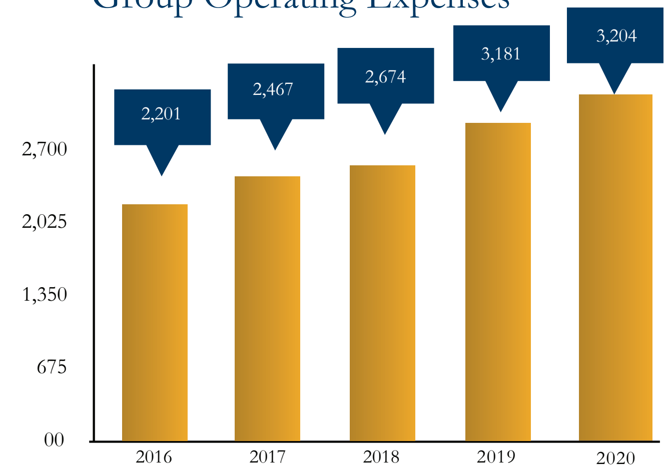
Group GWP and Contributions



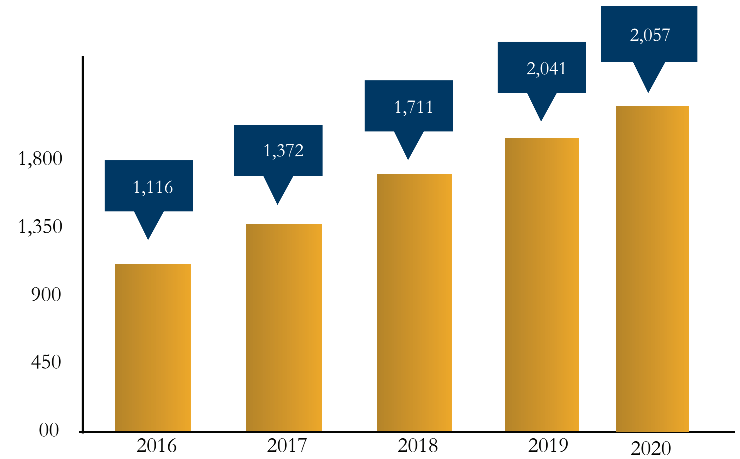
Company GWP and Contributions



Group Operating Expenses



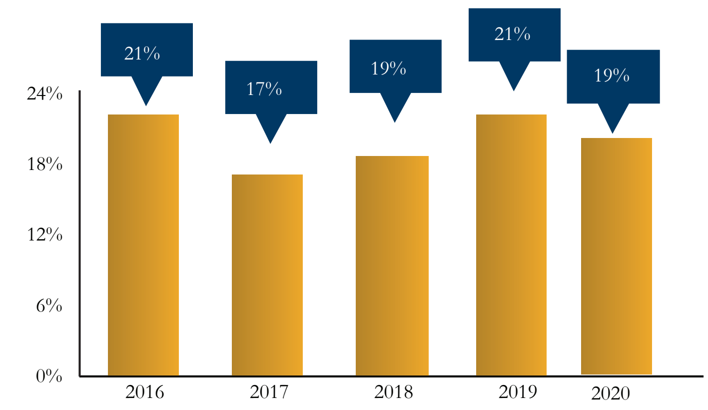
Company Operating Expenses



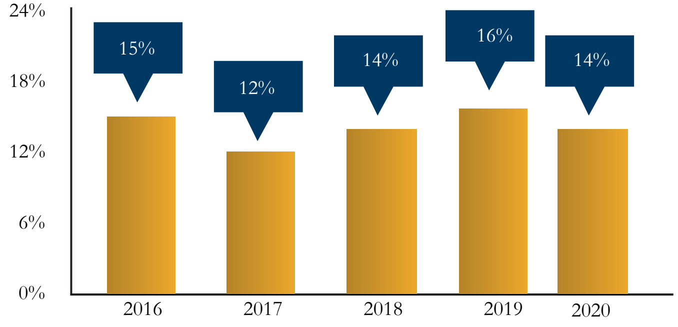
(Chart figures in Kshs Millions)

GROUP & COMPANY 5 YEAR FINANCIAL HIGHLIGHTS

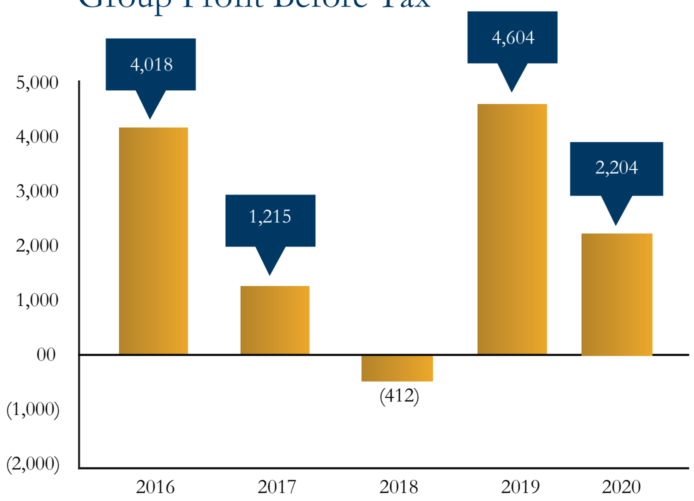
Group Total Expenses Ratio



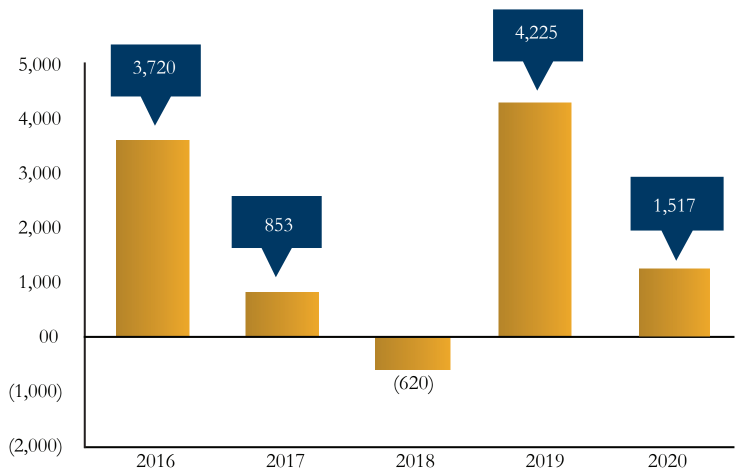
Company Total Expenses Ratio



Group Profit Before Tax



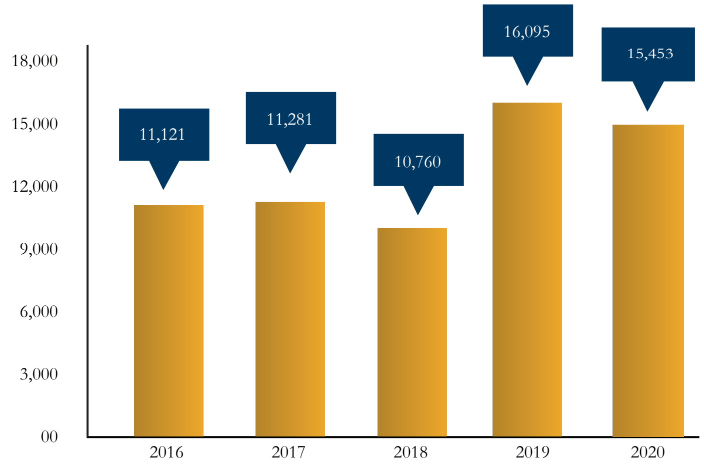
Company Profit Before Tax



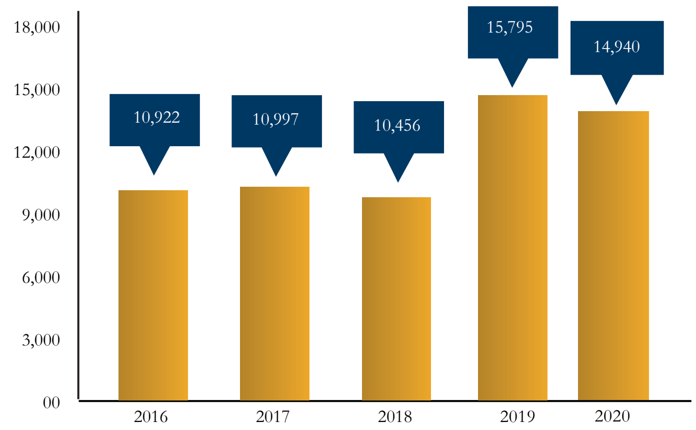
(Chart figures in Kshs Millions)

GROUP & COMPANY 5 YEAR FINANCIAL HIGHLIGHTS

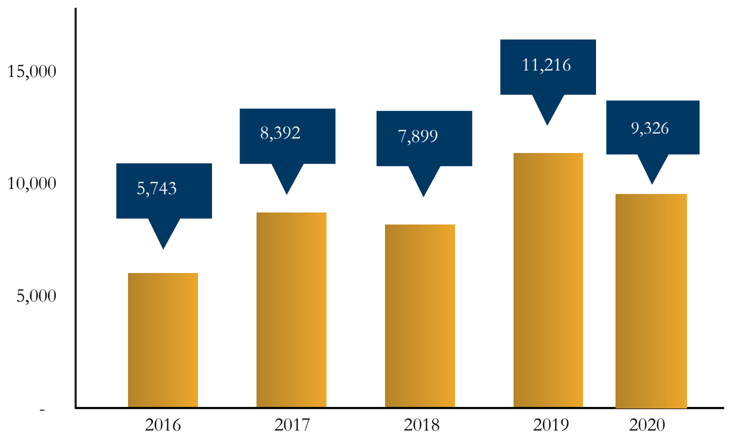
Group Actuarial Surplus



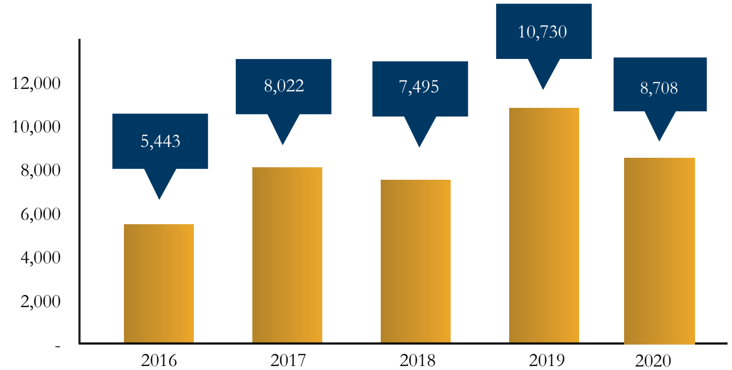
Company Actuarial Surplus



Group Investment Income



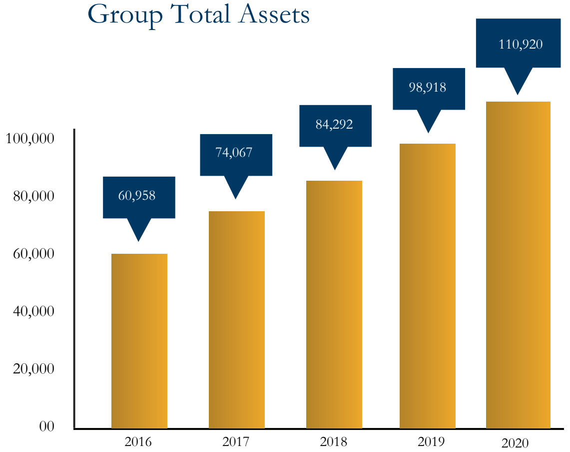
Company Investment Income



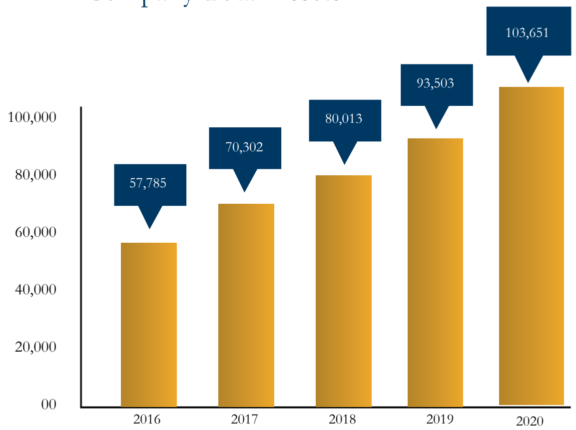
(Chart figures in Kshs Millions)

GROUP & COMPANY 5 YEAR FINANCIAL HIGHLIGHTS

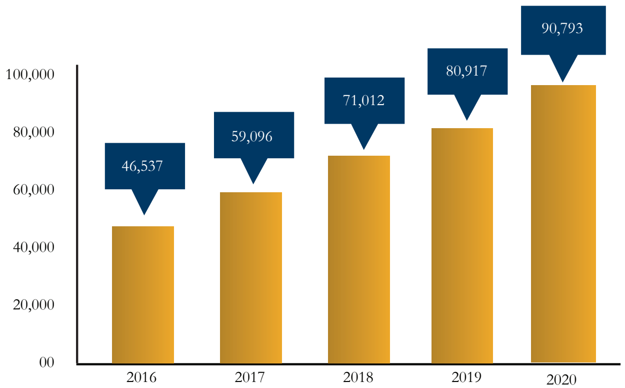
Group Total Assets



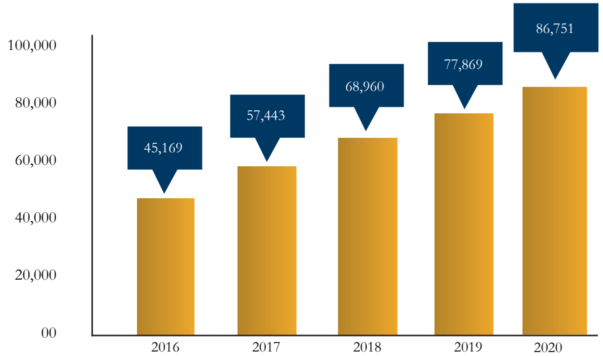
Company Total Assets



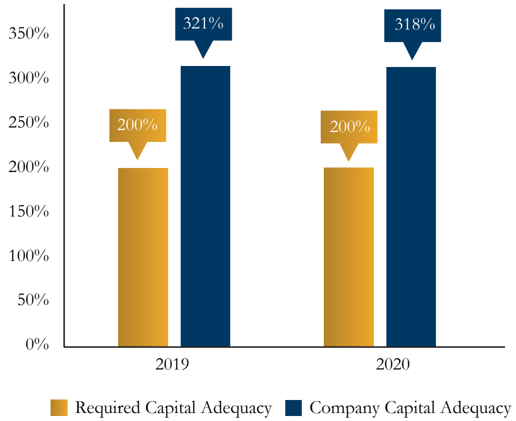
Group Life Fund



Company Life Fund



Company Capital Adequacy



(Chart figures in Kshs Millions)

FINANCIAL HIGHLIGHTS
STATEMENT OF COMPREHENSIVE INCOME

	GROUP						COMPANY				
Kshs millions	2020	2019	2018	2017	2016		2020	2019	2018	2017	2016
Total Income	15,767	16,932	12,878	16,195	10,150		13,381	14,957	11,192	14,506	8,678
Net claims & benefits payable	10,486	9,329	10,782	12,513	3,930		8,907	8,692	10,101	12,085	3,545
Total Expenses	3,204	3,181	2,674	2,467	2,201		2,057	2,041	1,711	1,568	1,413
Profit/(Loss) Before Tax	2,204	4,604	(412)	1,215	4,018		1,517	4,225	(620)	853	3,720
Income Tax	(128)	(1,371)	268	(25)	(751)		64	(1,263)	309	23	(699)
Profit/(Loss) After Tax	2,076	3,233	(144)	1,189	3,267		1,582	2,962	(311)	875	3,021
Other comprehensive Income	(26)	10	(102)	1	(99)		-	-	-	-	-
Total Comprehensive Income	2,050	3,243	(246)	1,190	3,168		1,582	2,962	(311)	875	3,021

5 YEAR FINANCIAL HIGHLIGHTS
STATEMENT OF FINANCIAL POSITION

	Group					Company				
Kshs millions	**2020**	**2019**	**2018**	**2017**	**2016**	**2020**	**2019**	**2018**	**2017**	**2016**
Assets										
Investment property	10,610	10,773	10,534	10,276	9,882	10,610	10,773	10,534	10,276	9,882
Government securities	82,266	67,171	57,134	48,149	38,172	78,160	64,449	54,913	46,472	36,994
Deposits with financial institutions	3,896	6,665	4,421	5,176	3,853	2,961	5,856	3,652	4,529	3,121
Equities	7,766	8,166	6,833	6,162	5,149	7,665	8,074	6,738	6,162	5,149
Other Assets	6,382	6,144	5,421	4,303	3,900	4,255	4,352	4,227	2,863	2,639
Total	110,920	**98,918**	**84,343**	**74,067**	**60,958**	103,651	**93,503**	**80,064**	**70,302**	**57,785**
Liabilities;										
Insurance contract liabilities	26,353	23,631	22,495	17,426	10,735	24,148	21,757	20,813	16,322	9,846
Payable under deposit administration	64,440	57,284	48,764	41,617	35,722	62,604	56,111	48,813	40,786	35,031
Deferred tax	1,964	2,098	1,136	1,617	1,795	1,955	2,098	1,136	1,617	1,795
Other liabilities	2,837	2,193	1,046	1,875	2,164	1,581	1,321	675	1,363	1,574
Total liabilities	95,594	**85,207**	**73,442**	**62,534**	**50,416**	90,288	**81,287**	**70,437**	**60,087**	**48,246**
Total Equity	15,326	13,711	10,901	11,532	10,542	13,363	12,216	9,627	10,214	9,539
Total Liabilities and Equity	110,920	**98,918**	**84,343**	**74,067**	**60,958**	103,651	**93,503**	**80,064**	**70,302**	**57,785**

2020

AUDITED FINANCIAL STATEMENTS

ICEA LION

LIFE ASSURANCE

REPORT OF DIRECTORS

The directors have the pleasure of presenting their report together with the audited financial statements of ICEA LION Life Assurance Company Limited (the "Company'') and its subsidiaries (the "Group'') for the year ended 31 December 2020.

BUSINESS REVIEW

The principal activities of the Group are the transaction of life insurance business and pension schemes administration in Kenya and the transaction of general insurance business and life insurance business and pension scheme administration in Uganda. The Group and Company's 5 years financial highlights including ratios are summarised on pages 91 to 96.

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk, the effects of changes in debt and equity market prices, and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. These policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit and risk and compliance functions help to ensure that these policies are followed. Group's risk management objectives and policies are detailed in Note 4 and pages 58 to 68.

RESULTS

	Long-term business Shs' 000	Short-term business Shs' 000	2020 Total Shs' 000	2019 Total Shs' 000
Profit before income tax	1,586,133	617,580	2,203,713	4,604,201
Income tax credit/(expense)	10,909	(138,801)	(127,892)	(1,371,089)
Profit for the year	**1,597,042**	**478,779**	**2,075,821**	**3,233,112**

DIVIDENDS

Net profit for the year of Shs 2,075,821,000 (2019: Profit of Shs 3,233,112,000) has been added to retained earnings. During the year, an interim dividend of Shs 200 million was proposed (2019: nil). The directors recommend dividend of Shs 10.44 per share amounting to Shs 235 million (2019: Shs 19.33 per share amounting to Shs 435 million).

DIRECTORS

The directors who held office during the year and to the date of this report are set out on pages 24.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

TERMS OF APPOINTMENT OF AUDITORS

PricewaterhouseCoopers LLP retire from office having audited the group for the last 7 years in accordance with the guideline to the insurance industry on external auditors issued by the Insurance Regulatory Authority that limits the external auditor to a period of 7 consecutive years.

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

By Order of the Board

SECRETARY
19 March 2021
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and the Company at the end of the financial year and of their profit or loss for that year. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and of the Company; disclose with reasonable accuracy at any time the financial position of the Group and of the Company; and that enables them to prepare financial statements of the Group and the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act 2015. They are also responsible for safeguarding the assets of the Group and of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- selecting suitable accounting policies and then apply them consistently; and
- making judgements and accounting estimates that are reasonable in the circumstances

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

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

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

J P M Ndegwa

Chairman

Dr. Caesar J M Mwangi

Director

REPORT OF THE PARENT COMPANY CONSULTING ACTUARY

I have conducted an actuarial valuation of the long term business of ICEA LION Life Assurance Company Limited and ICEA Life Assurance Company Limited as at 31 December 2020.

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

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

In my opinion, the long term business of the companies were financially sound and the actuarial value of the liabilities in respect of all classes of long term insurance business did not exceed the amount of funds of the long term business at 31 December 2020.

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

March 2021

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

Report on the audit of the financial statements

Our Opinion

We have audited the accompanying financial statements of ICEA LION Life Assurance Company Limited (the Company) and its subsidiaries (together, the Group) set out on pages 105 to 182, which comprise the consolidated statement of financial position at 31 December 2020 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2020, statement of comprehensive income, the statement of changes in equity and statement of cash flows for the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of ICEA LION Life Assurance Company Limited give a true and fair view of the financial position of the Group and the Company at 31 December 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Nobert's B Okundi K Saiti

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Valuation of policyholder liabilities Policyholder liabilities as disclosed in Notes 31 to the financial statements are of significant magnitude (Shs 26,145 million) to the overall financial statements. There are several methods which can be adopted in the determination of these reserves which are underpinned by a series of assumptions, and which are also subject to the requirements of the Insurance Acts in Kenya and Uganda. Changes in these assumptions can lead to significant changes in actuarial liabilities. The methodology used can also have a material impact on the valuation of the liabilities. The valuation of policyholder liabilities was considered to be a key audit matter due to magnitude of the balance and the estimation uncertainty involved in determining the liabilities.	We performed the following procedures: • Evaluated the the methodology and assumptions used by comparing them against regulatory requirements, recognised actuarial practices and industry standards; • Obtained audit evidence in respect of the key data inputs into the estimation process; and • Worked with our specialists to assess the reasonableness of the actuarial assumptions and challenged management's rationale for the judgments applied.

Other information

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

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

Responsibilities of the directors of the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on page 98 to 99 is consistent with the financial statements.

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

31 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	Long term business 2020 Ksh '000	Short term business 2020 Ksh '000	Total 2020 Ksh '000	Long term business 2019 Ksh '000	Short term business 2019 Ksh '000	Total 2019 Ksh '000
Gross earned premiums	5	5,650,020	743,005	6,393,025	5,102,279	661,673	5,763,952
Less: reinsurance premiums ceded		(468,166)	(410,248)	(878,414)	(374,461)	(351,221)	(725,682)
Net earned premiums		**5,181,854**	**332,757**	**5,514,611**	**4,727,818**	**310,452**	**5,038,270**
Investment income	6	9,077,511	248,021	9,325,532	10,970,265	245,698	11,215,963
Commissions earned		84,409	115,994	200,403	84,147	94,003	178,150
Fees earned by subsidiaries		-	662,740	662,740	-	483,154	483,154
Other operating income	7	42,720	17,488	60,208	20,349	693	21,042
Foreign exchange gain		536	2,722	3,258	(1,074)	(3,359)	(4,433)
Total investment and other income		**9,205,176**	**1,046,965**	**10,252,141**	**11,073,687**	**820,189**	**11,893,876**
Claims and policy holder benefits		10,692,338	344,301	11,036,639	9,296,473	270,115	9,566,588
Less: amounts recoverable from reinsurers		(320,940)	(230,133)	(551,073)	(47,420)	(189,824)	(237,244)
Net claims incurred	**8**	**10,371,398**	**114,168**	**10,485,566**	**9,249,053**	**80,291**	**9,329,344**
Commissions payable		1,008,477	146,383	1,154,860	876,797	112,490	989,287
Other operating expenses	9(a)	1,339,327	608,232	1,947,559	1,465,741	610,096	2,075,837
Finance costs	9(b)	81,695	19,888	101,583	93,691	21,891	115,582
Total expenses		**2,429,499**	**774,503**	**3,204,002**	**2,436,229**	**744,477**	**3,180,706**
Results of operating activities		**1,586,133**	**491,051**	**2,077,184**	**4,116,223**	**305,873**	**4,422,096**
Share of profit of associate, net of tax	20	-	126,529	126,529	-	182,105	182,105
Profit before income tax	20	**1,586,133**	**617,580**	**2,203,713**	**4,116,223**	**487,978**	**4,604,201**
Income tax credit /(expense)	10	10,909	(138,801)	(127,892)	(1,302,417)	(68,672)	(1,371,089)
Profit for the year attributable to owners of the company		**1,597,042**	**478,779**	**2,075,821**	**2,813,806**	**419,306**	**3,233,112**
Other comprehensive income, net of tax: Items that may subsequently be reclassified to profit or loss							
Other comprehensive income		-	(4,786)	(4,786)	-	-	-
Exchange differences in translating foreign operations		(27,122)	5,634	(21,488)	20,572	(10,610)	9,962
Other comprehensive income; net of tax		**(27,122)**	**848**	**(26,274)**	**20,572**	**(10,610)**	**9,962**
Total comprehensive income for the year attributable to owners of the company		**1,569,920**	**479,627**	**2,049,547**	**2,834,378**	**408,696**	**3,243,074**
Earnings per share (Basic and Diluted)	11			92.26			143.69

The notes on pages 112 to 182 are an integral part of these financial statements

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Long term business 2020 Ksh '000	Short term business 2020 Ksh '000	Total 2020 Ksh '000	Long term business 2019 Ksh '000	Short term business 2019 Ksh '000	Total 2019 Ksh '000
Gross earned premiums	5	4,835,074	-	4,835,074	4,351,877	-	4,351,877
Less: reinsurance premiums ceded		(361,360)	-	(361,360)	(283,581)	-	(283,581)
Net earned premiums		**4,473,714**	**-**	**4,473,714**	**4,068,296**	**-**	**4,068,296**
Investment income	6	8,554,914	153,128	8,708,042	10,603,463	126,172	10,729,635
Commissions earned		159,624	-	159,624	136,662	-	136,662
Other operating income	7	39,761	(79)	39,682	18,639	4,138	22,777
Total investment and other income		**8,754,299**	**153,049**	**8,907,348**	**10,758,764**	**130,310**	**10,889,074**
Claims and policy holder benefits payable		10,087,691	-	10,087,691	8,717,444	-	8,717,444
Less: amounts recoverable from reinsurers		(281,114)	-	(281,114)	(25,941)	-	(25,941)
Net claims payable	**8**	**9,806,577**	**-**	**9,806,577**	**8,691,503**	**-**	**8,691,503**
Commissions payable		857,233	-	857,233	744,241	-	744,241
Operating and other expenses	9(a)	1,133,542	98	1,133,640	1,218,014	65	1,218,079
Finance costs	9(b)	66,214	-	66,214	78,255	-	78,255
Total expenses		**2,056,989**	**98**	**2,057,087**	**2,040,510**	**65**	**2,040,575**
Profit before income tax		**1,364,447**	**152,951**	**1,517,398**	**4,095,047**	**130,245**	**4,225,292**
Income tax credit /(expense)	10	86,508	(22,055)	64,453	(1,233,249)	(29,544)	(1,262,793)
Profit for the year		**1,450,955**	**130,896**	**1,581,851**	**2,861,798**	**100,701**	**2,962,499**
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		**1,450,955**	**130,896**	**1,581,851**	**2,861,798**	**100,701**	**2,962,499**
Earnings per share (Basic and Diluted)	11			70.30			131.67

The notes on pages 112 to 182 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

ASSETS	Notes	Long term business 2020 Ksh '000	Short term business 2020 Ksh '000	Total 2020 Ksh '000	Long term business 2019 Ksh '000	Short term business 2019 Ksh '000	Total 2019 Ksh '000
Investment properties	17	9,363,000	1,247,000	10,610,000	9,526,200	1,246,300	10,772,500
Motor vehicle and equipment	14	140,334	31,477	171,811	133,736	33,611	167,347
Intangible assets	15	7,332	99,724	107,056	17,042	29,704	46,746
Right-of-use assets	16	491,618	128,644	620,262	538,582	130,842	669,424
Investment in associates	20	-	1,659,845	1,659,845	-	1,568,580	1,568,580
Deferred income tax	35	46,309	56,257	102,566	-	19,856	19,856
Mortgage loans	22(a)	604,372	-	604,372	574,700	-	574,700
Policy loans	22(b)	696,832	-	696,832	613,966	-	613,966
Government securities:							
- at amortised cost	27	56,636,912	573,491	57,210,403	45,482,958	475,391	45,958,349
- held at FVTPL	27	24,627,809	427,345	25,055,154	21,006,104	206,425	21,212,529
Corporate bonds at amortised cost	26	430,390	-	430,390	800,840	-	800,840
Corporate bonds held at FVTPL	26	-	-	-	44,349	-	44,349
Kenya motor pool balances	21	-	36,703	36,703	-	37,209	37,209
Equity securities:							
- at fair value through profit or loss	18	7,756,543	9,509	7,766,052	8,156,249	9,442	8,165,691
Statutory deposits		39,753	48,944	88,697	32,712	40,540	73,252
Deferred acquisition costs	23	-	49,284	49,284	-	43,368	43,368
Receivables arising out of reinsurance arrangements		-	97,910	97,910	17,100	62,686	79,786
Receivables arising out of direct insurance arrangements		-	29,525	29,525	-	29,197	29,197
Reinsurers' share of insurance contracts liabilities	24	74,005	296,254	370,259	50,013	390,686	440,699
Current income tax		48,899	42,882	91,781	35,542	45,032	80,574
Other receivables	25	769,065	265,264	1,034,329	618,885	83,287	702,172
Due from long term business		(443,530)	443,530	-	(228,197)	228,197	-
Deposits with financial institutions	28	2,873,839	1,022,347	3,896,186	5,622,944	1,042,326	6,665,270
Cash and bank balances		154,041	36,169	190,210	53,675	98,194	151,869
Total Assets		**104,317,523**	**6,602,104**	**110,919,627**	**93,097,400**	**5,820,873**	**98,918,273**
EQUITY AND LIABILITIES							
Equity							
Ordinary shares	29	150,000	300,000	450,000	150,000	300,000	450,000
Statutory reserve	12	10,032,987	441,550	10,474,537	9,009,903	328,842	9,338,745
Translation reserve	12	(62,248)	(291,652)	(353,900)	11,056	(343,468)	(332,412)
Other reserves		-	(4,786)	(4,786)	-	-	-
Retained earnings		329,954	3,994,875	4,324,829	176,052	3,643,748	3,819,800
Proposed dividends		-	435,000	435,000	-	435,000	435,000
Total Equity		**10,450,693**	**4,874,987**	**15,325,680**	**9,347,011**	**4,364,122**	**13,711,133**
LIABILITIES							
Current income tax		5,860	1,051	6,911	6,062	-	6,062
Unearned premiums	30	-	161,538	161,538	-	136,725	136,725
Lease liabilities	36	717,923	174,398	892,321	765,630	185,841	951,471
Other payables	34	1,017,367	532,113	1,549,480	686,167	229,118	915,285
Payables arising from reinsurance arrangements		83,655	92,461	176,116	546	132,369	132,915
Payables arising from direct insurance arrangements		-	51,187	51,187	-	49,932	49,932
Payable under deposit administration contracts	33(a)	64,439,693	-	64,439,693	57,284,548	-	57,284,548
Payables under unit linked policies	33(b)	208,208	-	208,208	287,589	-	287,589
Insurance contract liabilities	31	25,694,312	450,662	26,144,974	22,826,087	518,407	23,344,494
Deferred income tax	35	1,699,812	263,707	1,963,519	1,893,760	204,359	2,098,119
Total Liabilities		**93,866,830**	**1,727,117**	**95,593,947**	**83,750,389**	**1,456,751**	**85,207,140**
Total Equity and Liabilities		**104,317,523**	**6,602,104**	**110,919,627**	**93,097,400**	**5,820,873**	**98,918,273**

The financial statements on pages 105 to 182 were approved and authorised by the board of directors on 19 March 2021 and were signed on its behalf by:

J P M Ndegwa - Chairman

Dr. Caesar J M Mwangi - Director

G G Nyakundi - Principal officer

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

ICEA LION
LIFE ASSURANCE

	Notes	Long term business 2020 Ksh '000	Short term business 2020 Ksh '000	Total 2020 Ksh '000	Long term business 2019 Ksh '000	Short term business 2019 Ksh '000	Total 2019 Ksh '000
Investment properties	17	9,363,000	1,247,000	10,610,000	9,526,200	1,246,300	10,772,500
Motor vehicle and equipment	14	99,609	-	99,609	99,465	-	99,465
Intangible assets	15	6,356	-	6,356	17,042	-	17,042
Right-of-use assets	16	339,327	-	339,327	394,925	-	394,925
Investment in subsidiaries	19	9,823	683,101	692,924	9,823	683,101	692,924
Investment in associate	20	-	553,922	553,922	-	553,922	553,922
Mortgage loans	22(a)	604,372	-	604,372	574,700	-	574,700
Policy loans	22(b)	544,345	-	544,345	505,449	-	505,449
Government securities at amortised cost	27	53,320,522	-	53,320,522	43,384,119	58,591	43,442,710
Government securities held at FVTPL	27	24,627,809	212,056	24,839,865	21,006,104	-	21,006,104
Corporate bonds at amortised cost	26	430,390	-	430,390	800,840	-	800,840
Kenya motor pool balances	21	-	36,703	36,703	-	37,209	37,209
Equity investments at fair value through profit or loss	18	7,665,131	-	7,665,131	8,074,008	-	8,074,008
Corporate bonds at fair value through profit or loss	26	-	-	-	44,349	-	44,349
Reinsurers' share of insurance liabilities	24	7,528	-	7,528	13,674	-	13,674
Other receivables	25	688,778	43,493	732,271	544,606	44,658	589,264
Current income tax		-	19,381	19,381	-	11,203	11,203
Deferred income tax	35	46,309	50,982	97,291			
Due from long term business		(443,530)	443,530	-	(228,197)	228,197	-
Deposits with financial institutions	28	2,542,871	417,747	2,960,618	5,231,230	624,699	5,855,929
Cash and bank balances		88,055	2,768	90,823	15,549	1,595	17,144
Total Assets		**99,940,695**	**3,710,683**	**103,651,378**	**90,013,886**	**3,489,475**	**93,503,361**
EQUITY AND LIABILITIES							
Equity							
Ordinary shares	29	150,000	300,000	450,000	150,000	300,000	450,000
Statutory reserve	12	9,960,168	-	9,960,168	8,970,465	-	8,970,465
Retained earnings		-	2,518,262	2,518,262	-	2,361,116	2,361,116
Proposed dividends		-	435,000	435,000	-	435,000	435,000
Total Equity		**10,110,168**	**3,253,262**	**13,363,430**	**9,120,465**	**3,096,116**	**12,216,581**
LIABILITIES							
Current income tax		5,860	-	5,860	6,062	-	6,062
Lease liabilities	36	541,203	-	541,203	602,553	-	602,553
Other payables	34	776,996	147,453	924,449	520,869	135,087	655,956
Payables arising from reinsurance arrangements		55,305	3,981	59,286	546	3,981	4,527
Payables arising from direct insurance arrangements		-	51,187	51,187	-	49,932	49,932
Payable under deposit administration contracts	33(a)	62,603,711	-	62,603,711	56,111,116	-	56,111,116
Payables under unit linked policies	33(b)	208,208	-	208,208	287,589	-	287,589
Insurance contract liabilities	31	23,939,432	-	23,939,432	21,470,926	-	21,470,926
Deferred income tax	35	1,699,812	254,800	1,954,612	1,893,760	204,359	2,098,119
Total Liabilities		**89,830,526**	**457,421**	**90,287,948**	**80,893,421**	**393,359**	**81,286,780**
Total Equity and Liabilities		**99,940,695**	**3,710,683**	**103,651,378**	**90,013,886**	**3,489,475**	**93,503,361**

The financial statements on pages 105 to 182 were approved and authorised by the board of directors on 19 March 2021 and were signed on its behalf by:

J P M Ndegwa - Chairman

Caesar J M Mwangi - Director

G G Nyakundi - Principal officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2020

	Notes	Share capital Ksh '000	Statutory reserve Ksh '000	Other reserves Ksh '000	Translation reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Total Ksh '000
Balance as at 1 January 2019		**450,000**	**6,916,939**	**-**	**(342,374)**	**3,443,494**	**250,000**	**10,718,059**
Profit for the year		-	2,813,806	-	-	419,306	-	3,233,112
Other comprehensive income for the year		-	-	-	9,962	-	-	9,962
Transfer from statutory reserve		-	(392,000)	-	-	392,000	-	-
Transaction with owners:								
Final dividend paid for 2018		-	-	-	-	-	(250,000)	(250,000)
Final dividend proposed 2019		-	-	-	-	(435,000)	435,000	-
Balance as at 31 December 2019		**450,000**	**9,338,745**	**-**	**(332,412)**	**3,819,800**	**435,000**	**13,711,133**
At start of year		**450,000**	**9,338,745**	**-**	**(332,412)**	**3,819,800**	**435,000**	**13,711,133**
Profit for the year		-	1,597,042	-	-	478,779	-	2,075,821
Other comprehensive income for the year		-	-	(4,786)	(21,488)	-	-	(26,274)
Transfer from statutory reserve		-	(461,250)	-	-	461,250	-	-
Transaction with owners:		-	-	-	-	-	-	-
Final dividend paid for 2019	13	-	-	-	-	-	(435,000)	(435,000)
Dividend proposed 2020		-	-	-	-	(435,000)	200,000	-
Balance as at 31 December 2020		**450,000**	**10,474,537**	**(4,786)**	**(353,900)**	**4,324,829**	**200,000**	**15,325,680**

The notes on pages 112 to 182 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2020

	Note	Share capital	Statutory reserve Ksh '000	Retained earnings	Proposed dividends Ksh '000	Total Ksh '000
Balance as at 1 January 2019		**450,000**	**6,500,667**	**2,303,415**	**250,000**	**9,504,082**
Profit for the year		-	2,861,798	100,701	-	2,962,499
Transfer from statutory reserve	12	-	(392,000)	392,000	-	-
Transaction with owners:						
Final dividend paid for 2018		-	-	-	(250,000)	(250,000)
Final dividend proposed 2019		-	-	(435,000)	435,000	-
Balance as at 31 December 2019		**450,000**	**8,970,465**	**2,361,116**	**435,000**	**12,216,581**
At start of year		**450,000**	**8,970,465**	**2,361,116**	**435,000**	**12,216,581**
Profit for the year		-	1,450,953	130,896	-	1,581,849
Transfer from statutory reserve	12	-	(461,250)	461,250	-	-
Transaction with owners:						
Final dividend paid for 2019	13	-	-	-	(435,000)	(435,000)
Dividend proposed 2020		-	-	(435,000)	435,000	-
Balance as at 31 December 2020		**450,000**	**9,960,168**	**2,518,262**	**435,000**	**13,363,430**

The notes on pages 112 to 182 are an integral part of these financial statements.

CONSOLIDATED & COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

		GROUP		COMPANY	
CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**2020 Ksh '000**	**2019 Ksh '000**	**2020 Ksh '000**	**2019 Ksh '000**
Cash generated from operations	36	3,513,089	3,771,771	2,036,084	2,989,387
Income tax paid		(355,560)	(368,738)	(184,725)	(201,488)
Net cash generated from operating activities		**3,157,529**	**3,409,033**	**1,851,359**	**2,787,899**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income		9,655,081	8,292,079	9,082,638	7,944,487
Purchase of property and equipment	14	(80,153)	(70,522)	(44,970)	(45,646)
Right of use asset	16	(115,394)	(773,436)	(8,959)	(449,518)
Purchase of intangible assets	15	(116,701)	(52,653)	-	(18,067)
Additions to investment property	17	(11,351)	(28,244)	(11,351)	(28,244)
Purchase of quoted shares	18	(954,274)	(451,042)	(945,198)	(451,042)
Purchase of corporate bonds		(4,650)	(11,229)	(4,650)	(11,229)
Proceeds from disposal of government securities		7,036,415	14,445,240	2,855,929	14,313,649
Purchase of government securities		(21,928,759)	(24,209,577)	(16,365,922)	(23,579,634)
Policy loans advanced	22(b)	(250,962)	(312,132)	(181,996)	(240,499)
Policy loans recovered	22(b)	168,096	266,375	143,100	207,819
Mortgage loans advanced	22(a)	(114,113)	(145,774)	(114,113)	(145,774)
Mortgage loans recovered	22(a)	84,441	102,846	84,441	102,846
Proceeds from/(placement of) deposits with financial institutions		1,703,767	(1,581,454)	1,443,710	(1,606,473)
Proceeds from disposal of quoted shares		11,205	452,268	18,926	452,407
Redemption of corporate bonds		419,448	587,569	419,448	585,508
Dividend income on equity investments		356,376	458,578	399,343	452,676
Rental income		504,094	558,114	506,090	559,559
Statutory deposit		(15,445)	(8,001)	-	-
Net cash used in investing activities		**(3,652,879)**	**(2,480,995)**	**(2,723,534)**	**(1,957,175)**
CASH FLOWS FROM FINANCING ACTIVITIES					
2019 Final Dividends paid		(435,000)	(250,000)	(435,000)	(250,000)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(930,350)**	**678,038**	**(1,307,175)**	**580,724**
Cash and cash equivalents at 1 January		2,186,040	1,498,040	1,501,635	920,911
Effect of translation of cash and cash equivalents and OCI		(26,274)	9,962	-	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	36(b)	**1,229,416**	**2,186,040**	**194,460**	**1,501,635**

The notes on pages 112 to 182 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact on accounting for changes in lease payments applying the exemption

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

The Group has benefited from 6 months, 2 months, 6 months and 3 months waiver of lease payments on Ambank, Mombasa, Karen, Eldoret, Thika, Tulip House, and Unga house branches respectively. The waiver of lease payments of Kshs 1,479,579 has been accounted for as a negative variable lease payment in profit or loss. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9:3.3.1.

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

Amendments to IFRS 3 Definition of a business

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

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

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

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

The Group did not acquire a business during the year.

Amendments to IAS 1 and IAS 8 Definition of material

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

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

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

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

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised *Conceptual Framework,* which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References* to the *Conceptual Framework* in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and revised IFRS Standards in issue but not yet effective

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

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

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

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

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

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

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

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

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

IFRS 9 Financial Instruments

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

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

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

IFRS 16 Leases

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

(b) Basis of consolidation

Subsidiaries

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (Continued)

(b) Basis of consolidation (Continued)

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

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

Associates

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

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

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

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

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

(c) The Kenya Motor pool

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

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

(d) Insurance and investment contracts – classification and measurement

i) Classification

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (Continued)

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

Long-term insurance business

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

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

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

Short term insurance business

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

ii) Recognition and Measurement

Premium Income

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

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

Claims

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims (continued)

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

Outstanding claims are not discounted.

Reinsurance contracts held

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

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

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

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

Receivables and payables related to insurance contracts and investment contracts

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

Salvage and subrogation reimbursements

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

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

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

Deferred policy acquisition cost (DAC)

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

(e) Revenue recognition (non – insurance contracts)

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

(i) Rendering of services

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Investment Income

Rental income

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

Dividend income

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

Interest income

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

(f) Deposit administration contracts

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

(g) Accrued leave benefits

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

(h) Motor vehicle and equipment

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

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

Motor vehicles	25%
Furniture fittings & equipment	12.5%
Computer equipment	30%

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

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

(i) Intangible assets

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

(j) Investment properties

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments

Financial assets

i) Classification

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

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

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

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

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

ii) Recognition and derecognition

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

iii) Measurement

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

Debt instruments

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

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

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

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and

Debt Instrument

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

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

Equity instruments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity instruments (Continued)

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

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

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

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

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

iv) Impairment

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

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to the following financial instruments that are not measured at FVTPL:
- Debt securities measured at amortised cost
- Receivables arising from direct insurance arrangements;
- Receivables arising from reinsurance arrangements;
- Corporate bonds;
- Deposits with financial institutions;
- Cash and bank balances;
- Kenya motor insurance pool;
- Mortgage loans
- Policy loans

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

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

The Group will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:
- Debt instruments that are determined to have low credit risk at the reporting date. The Group will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- Other financial instruments (other than trade receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for premium receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:
- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:
- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of expected credit losses (continued)

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract - e.g. a default or past-due event;
- a lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Expected credit losses

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

ECL = PD x LGD x EAD

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

The General Approach

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

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Group will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Group will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Group will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

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

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

Definition of default

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

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

Significant increase in credit risk (SIICR)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant increase in credit risk (SIICR) (Continued)

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

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

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

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

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

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

Measurement of ECL

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

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

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

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

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

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

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

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

When ECL are measured using parameters based on collective modelling, a significant

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of ECL(continued)

input into the measurement of ECL is the external benchmark information that the Group uses to derive the default rates of its portfolios. This includes the PDs provided in the S&P default study and the LGDs provided in the Rating recovery studies.

Offsetting financial instruments

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

Financial liabilities

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

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

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

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

(l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(m) Translation of foreign currencies and operations

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Kenya Shillings rounded to the nearest thousand ("Shs"), which is the Group's presentation currency.

(ii) Transactions and balances

In preparing the financial statements of individual entities in the Group, transactions in foreign currencies during the year are recorded at rates ruling at the transaction dates. Assets and liabilities at the end of each reporting period which are expressed in foreign currencies are translated at rates ruling at that date. The resulting differences are dealt with in the statement of comprehensive income come in the year in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated to Kenya shillings using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in other comprehensive income and accumulated in equity under the Groups' currency translation reserve. Such differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(n) Leases

(a) The Group as lessee

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

The lease liability is initially measured at the present value of the lease payments that are

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

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

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

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

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

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

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

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

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Motor vehicle and Equipment' policy.

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

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

(b) The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

(o) Income tax expense

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax expense (Continued)

Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same entity.

(p) Retirement contribution obligations

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Group and employees. The employees of the Group are also members of the statutory National Social Security Fund ("NSSF"). The Group's contributions to the defined contribution scheme and NSSF are charged to the profit or loss in the year to which they relate.

(q) Dividends

Dividends on ordinary shares are charged to retained earnings in the year in which they are paid. Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the shareholders

(r) Share Capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Shares are classified as equity when there is no obligation to transfer cash or other assets.

3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparation of the annual financial statements, the Group makes use of estimates and assumptions that affect the reported amounts of its assets and liabilities.

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Judgements made by management that could have a significant effect on the amounts recognized in the financial statements include:

a) Short-term insurance contract liabilities

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported (IBNR) are net of expected recoveries from salvage and subrogation. The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

b) Long term insurance contract liabilities

The long term insurance contract liabilities have been calculated in accordance with the actuarial method and basis set out in the insurance valuation of technical provisions for life insurance business guidelines, 2017. The liabilities have been determined using the Gross Premium Valuation (GPV) method and Insurance Regulatory Authority (IRA) guidelines on a policy by policy basis. The best estimate liability has been increased in accordance with the prescribed loadings risk margins. The assumptions underlying the compulsory risk margins have purely been based on the regulatory guidelines. The key assumptions that have been used in determining the actuarial liabilities at year end include; mortality, longevity, expense inflation, investment return and withdrawals.

The most significant valuation assumptions are as summarized below;

i) Annuities Mortality Assumption - The group used KE 2007-2010 as base table of standard mortality 60% KE-2007-2010 plus 40% a(55) for annuitant life.
ii) Ordinary Life Mortality Assumption - The group used KE 2007-2010 as base table of standard mortality for ordinary life.
iii) Withdrawals - The withdrawal rates used in the valuation were set as per the experience observed in the Company's data.
iv) The discount rate assumptions used are based on unadjusted term dependent treasury bond gross redemption yields as at 31st December 2020 published in the Nairobi Securities Exchange (NSE).
v) Expense and inflation - The level of renewal expenses were taken based on the current expense experience of the Company. The expense inflation has been assumed to be 5% for the year ended 31st December 2020

3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

SENSITIVITY ANALYSIS

The effect of changes in mortality, longevity, expenses and withdrawals will have the following effect on the value of actuarial liabilities;

	% change	2020 Kshs'000	2019 Kshs'000
Mortality	+10	46,408	45,449
Longevity	+10	181,225	180,990
Expense inflation	+10	56,226	58,633
Withdrawals	+10	(28,661)	(13,135)
Mortality	-10	(45,596)	44,644
Longevity	-10	(169,140)	(168,672)
Expense inflation	-10	(54,250)	(56,590)
Withdrawals	-10	29,483	13,889

The above sensitivity analysis is on the Company actuarial liabilities. Since the Company actuarial liabilities account for over 90% of the group actuarial liabilities the subsidiaries liabilities will not materially change this sensitivity position.

The table below summarizes details of the risk margins applied in the actuarial valuation of long term insurance contract liabilities:

	Risk Margins Applied	
	31st December 2020	31st December 2019
Mortality	10% increase in mortality for death assurances	10% increase in mortality for death assurances
Longevity	10% decrease in mortality for life assurances and annuities	10% decrease in mortality for life assurances and annuities
Morbidity/disability	10% decrease in inception rates & 5% decrease in recovery rates	10% decrease in inception rates & 5% decrease in recovery rates
Lapses	25% increase or decrease in lapse rates depending on which options gives rise to increase in liabilities	25% increase or decrease in lapse rates depending on which options gives rise to increase in liabilities
Interest	10% decrease	10% decrease
Expenses	10% decrease	10% increase
Expense inflation	10% increase of estimated escalation rate	10% increase of estimated escalation rate
Surrenders	10% increase or decrease in surrender rates depending on which option gives rise to increase in liabilities	10% increase or decrease in surrender rates depending on which option gives rise to increase in liabilities

Interest rate margins Sensitivity

The actual interest rate used is arrived at by multiplying the risk free term structure of the interest rates of government bonds by a risk margin factor (1-risk margin) which further reduces the valuation interest rate thus increasing the liabilities. The liabilities for 2020 have been valued using 10% (2019 10%) risk margins on interest rates as stipulated in the IRA regulations. The table below summarises the impact on the earnings of the group had the rate increased or decreased by 10%.

Interest rate risk margin	Multiplication factor	(Decrease)/increase in earnings
+10%	(1-10%)	(1,692)million
- 10%	(1-10%)	1,964 million

c) Income Tax

The Group is subject to income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

d) Valuation of Investment property

Estimates are made in determining valuations of investment properties. Fair value is based on valuation performed by an independent valuation expert. In performing the valuation the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales. The independent valuers also use the highest and best use principle in determining the value of Investment property. The change in these assumptions could result in a significant change in the carrying value of investment property. Management monitors the investment property market and economic conditions that may lead to significant change in fair value, and conducts a formal and independent property valuation at least once every three years and adjusts the recorded fair values accordingly for any significant change.

SENSITIVITY ANALYSIS

The effect of changes in gross annual rental and yield will have the following effect on the fair value of investment property;

	% change	2020 Kshs'000	2019 Kshs'000
Gross annual rental income	+10	818,765	889,628
Gross annual rental income	-10	(669,899)	(727,878)
Yield	+0.5	7.1%	8.0%
Yield	-0.5	6.2%	7.0%

e) Calculation of loss allowance

When measuring expected credit losses (ECL), the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

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

If the ECL rates on the financial assets had been 5% higher (lower) as of 31 December 2020, the loss allowance would have been Kshs. 4,687,530 and Kshs. 3,580,192 (2019: Kshs. 19,279,053 and Kshs. 3,770,435) for the group and the company respectively

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

In estimating the recoverable amount of the right-of-use asset, the directors have made assumptions about the achievable market rates for similar properties with similar lease terms.

g) Business model assessment

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

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

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK

The Group's activities expose it to a variety of financial and insurance risks. The Group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

The disclosures below summarises the way the Group manages key risks:

4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in an y subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Long-term business

Long term insurance products expose required capital to risk if actual experience differs from that which is assumed. The Group is also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect to long term business.

The Group manages underwriting risk through Its product development process and underwriting policy to prevent anti - selection and ensure appropriate premium rates (loadings) for substandard risks.

The Group also ensures there is adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks. Other measured the Group uses to manage its Insurance risk includes ensuring that there is in place a sound claims handling policy and adequate pricing and reserving philosophy. Quarterly full actuarial valuations and the Group’s regular performance reporting process assist in the timely identification of experience variances.

The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk;

i) All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business’ governance process.
ii) The statutory actuaries approve the policy conditions and premium rates of new and revised products;
iii) Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
iv) The experience of reinsurers is used where necessary for the rating of substandard risks
v) The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary.
vi) Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action is taken where necessary.

Short-term business

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered as a result of road accidents and injuries to agricultural employees. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

Short-term business (continued)

(a) Frequency and severity of claims

For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include excess, surplus and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than set limits per class of business in any one year.
The Group has specialised claims units dealing with the mitigation of risks surrounding known claims. This unit investigates all claims and adjusts them where necessary. The claims records are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claim payments

Claims on all insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims are settled over a long period of time and a large element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they have adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered and damage or loss to property.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

At present; these risks are monitored very closely and reassurance arrangements are in place to protect the impact of severity of claims and frequency from one event. There is also an underwriting policy in place which is strictly followed.

The underwriting strategy adopted is intended to ensure that the risks underwritten are well diversified in terms of type of risk and level of insured benefits. Medical selection is also included in underwriting procedures with premiums varied to reflect the health condition and family medical history of the insured. The Group has retention limit for standard risks (from a medical point of view). The Group does not have in place any reinsurance for contracts that insure survival risk but every year reserves are set aside to support the liabilities arising from such contracts. Insurance risk for contracts disclosed in this note is also affected by policyholder's right to pay reduced premiums or no future premiums or terminate the contract completely.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

Concentration of insurance risks

The table below discloses the maximum insured risk (sum assured) by the class of business in which the contract holder operates and included in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities (gross and net of reinsurance) arising from insurance. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

GROUP

Year ended 31 December 2020

		Maximum Insured loss			
Long term Business					
Class of business		Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Annuity	Gross/Net	2,900,177	601,211	-	3,501,388
Ordinary life	Gross	44,650,738	1,918,104	418,812	46,987,654
	Net	9,261,387	1,494,435	415,312	11,171,134
Group life	Gross	1,015,437	13,164,349	109,937,538	124,117,324
	Net	925,533	9,000,377	55,380,954	65,306,864
Short term business					
Class of businesss					
Fire	Gross	3,027	4,313	3,681	11,021
	Net	2,954	3,747	3,154	9,855
Motor	Gross	4,697	27,767	93,678	126,142
	Net	3,691	13,497	8,783	25,971
Accident	Gross	418	15,343	118,888	134,649
	Net	390	9,475	20,674	30,539
Others	Gross	2,936	16,643	78,827	98,406
	Net	2,221	10,941	13,750	26,912
Total	**Gross**	**48,577,430**	**15,747,730**	**110,651,424**	**174,976,584**
Total	**Net**	**13,096,353**	**11,133,683**	**55,842,627**	**80,072,663**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

Concentration of insurance risks (continued)

COMPANY

Year ended 31 December 2020

Long term Business

Class of business		Maximum Insured loss Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Annuity	Gross/Net	2,900,177	601,211	-	3,501,355
Ordinary life	Gross	44,650,738	1,918,104	418,812	46,987,654
	Net	9,261,387	1,494,435	415,312	11,171,135
Group life	Gross	1,015,437	13,164,349	109,937,538	124,117,324
	Net	925,533	9,000,377	55,380,954	65,306,864
Total	**Gross**	**48,566,352**	**15,683,664**	**110,356,350**	**174,606,366**
Total	**Net**	**13,087,097**	**11,096,023**	**55,796,266**	**79,979,386**

GROUP

Year ended 31 December 2019

Long term Business

Class of business		Maximum Insured loss Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Annuity	Gross/Net	1,218,123	15,434	0	1,233,557
Ordinary life	Gross	54,638,853	1,966,123	611,745	57,216,721
	Net	49,550,297	1,133,517	196,458	50,880,272
Group life	Gross	231,276,714	8,322,256	2,589,410	242,188,380
	Net	92,427,437	2,114,378	366,457	94,908,272
Short term business					
Class of businesss					
Fire	Gross	4,934	27,839	139,679	172,452
	Net	3,946	12,942	19,269	36,157
Motor	Gross	3,233	4,663	2,939	10,835
	Net	3,210	4,595	2,896	10,701
Accident	Gross	12,485	14,835	61,314	88,634
	Net	12,578	6,034	8,847	27,459
Others	Gross	2,828	17,863	74,502	95,193
	Net	2,014	11,856	21,328	35,198
Total	**Gross**	**287,157,170**	**10,369,013**	**3,479,589**	**301,005,772**
Total	**Net**	**143,217,605**	**3,298,756**	**615,255**	**147,131,616**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

COMPANY

Year ended 31 December 2019

Long term Business

Class of business		Maximum Insured loss Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Annuity	Gross/Net	1,218,123	15,434	0	1,233,557
Ordinary life	Gross	54,638,853	1,966,123	611,745	57,216,721
	Net	49,550,297	1,133,517	196,458	50,880,272
Group life	Gross	231,276,714	8,322,256	2,589,410	242,188,380
	Net	92,427,437	2,114,378	366,457	94,908,272
Total	**Gross**	**287,133,690**	**10,303,813**	**3,201,155**	**300,638,658**
Total	**Net**	**143,195,857**	**3,263,329**	**562,915**	**147,022,101**

4.2 Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It manages these positions with an Asset Liability Management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The Group produces regular reports at portfolio and asset and liability class level that are circulated to the Group's key management personnel. The principal technique of the Group's asset liability management (ALM) is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The Group does not use hedge accounting.

The Group has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the Group's ALM framework.

The Group has exposure to the following risks arising from financial instruments;

a) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The primary liquidity risk of the Group is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of short-term insurance contracts as of 31 December 2020.

GROUP

	Contractual cash flows (undiscounted)						
Financial assets	Total amount 31.12.2020 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost							
- Government securities	774,213	-	231,892	97,618	260,314	65,078	119,311
- Fixed deposits	1,022,347	-	1,022,347	-	-	-	-
Debt securities at FVTPL	427,345	-	225,785	-	149,080	-	52,480
Equity securities at FVTPL	9,509	9,509	-	-	-	-	-
Kenya motor pool balances	36,703	36,703	-	-	-	-	-
Other receivables	265,264	-	265,264	-	-	-	-
Receivables arising out of reinsurance arrangements	97,910	-	97,910	-	-	-	-
Receivables arising out of direct insurance arrangements	29,525	-	29,525	-	-	-	-
Cash and cash equivalents	36,169	-	36,169	-	-	-	-
Total	**2,698,985**	**46,212**	**1,908,892**	**97,618**	**409,394**	**65,078**	**171,791**
Financial liabilities							
Insurance contracts-short term	450,662	-	450,662	-	-	-	-
Payables arising from reinsurance arrangements	92,461	-	92,461	-	-	-	-
Payables arising from direct insurance arrangements	51,187	-	51,187	-	-	-	-
Lease liabilities	249,220	-	21,133	19,487	108,430	27,865	72,307
Other payables	532,113	-	532,113	-	-	-	-
Total	**1,375,643**	**-**	**1,147,556**	**19,487**	**108,430**	**27,865**	**72,307**
Difference in contractual cash flows	**1,323,342**	**46,212**	**761,337**	**78,131**	**300,964**	**37,214**	**99,484**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of short-term insurance contracts as of 31 December 2019.

GROUP

	Contractual cash flows (undiscounted)					
	Total amount 31.12.2019 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Financial assets						
Debt securities held at amortised cost						
- Government securities	623,225	-	224,357	196,763	10,003	192,102
- Fixed deposits	1,042,326	-	1,042,326	-	-	-
Debt securities at FVTPL	206,425	-	206,425	-	-	-
Kenya motor pool balances	37,209	37,209	-	-	-	-
Other receivables	83,287	-	83,287	-	-	-
Cash and cash equivalents	98,194	91,100	7,094	-	-	-
Total	**2,090,666**	**128,309**	**1,563,489**	**196,763**	**10,003**	**192,102**
Financial liabilities						
Insurance contracts - short term	518,407	-	518,407	-	-	-
Payables arising from reinsurance arrangements	132,369	-	132,369	-	-	-
Payables arising from direct insurance arrangements	49,932	-	49,932	-	-	-
Lease liabilities	185,841	-	10,087	14,267	18,677	142,810
Other payables	229,118	-	229,118	-	-	-
Total	**1,115,667**	**-**	**939,913**	**14,267**	**18,677**	**142,810**
Difference in contractual cash flows	**974,999**	**128,309**	**623,576**	**182,496**	**(8,674)**	**49,292**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of Short-term insurance contracts as of 31 December 2020.

COMPANY

	Contractual cash flows (undiscounted)						
Financial assets	Total amount 31.12.2020 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost	-	-	-	-	-	-	-
- Fixed deposits	417,747	-	417,747	-	-	-	-
Debt securities at FVTPL	212,056	-	10,496	-	149,080	-	52,480
Kenya motor pool balances	36,703	36,703	-	-	-	-	-
Cash and cash equivalents	2,768	-	2,768	-	-	-	-
Other receivables	43,493	-	43,493	-	-	-	-
Total	**712,767**	**36,703**	**474,504**	**-**	**149,080**	**-**	**52,480**
Financial liabilities							
Payables arising from direct insurance arrangements	51,187	-	51,187	-	-	-	-
Other payables	147,451	-	147,451	-	-	-	-
Payables arising from reinsurance arrangements	3,981	-	3,981	-	-	-	-
Total	**202,619**	**-**	**202,619**	**-**	**-**	**-**	**-**
Difference in contractual cash flows	**510,148**	**36,703**	**271,885**	**-**	**149,080**	**-**	**52,480**

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the company's Assets and Liabilities Management (ALM) framework for management of Short-term insurance contracts as of 31 December 2019.

	Contractual cash flows (undiscounted)					
Financial assets	Total amount 31.12.2019 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost						
- Fixed deposits	624,699	-	624,699	-	-	-
Debt securities at FVTPL	58,591	-	58,591	-	-	-
Kenya motor pool balances	37,209	37,209	-	-	-	-
Cash and cash equivalents	1,595	-	1,595	-	-	-
Other receivables	44,658	-	44,658	-	-	-
Total	**766,752**	**37,209**	**729,543**	**-**	**-**	**-**
Financial liabilities						
Payables arising from direct insurance arrangements	49,932	-	49,932	-	-	-
Other payables	135,087	-	135,087	-	-	-
Payables arising from reinsurance arrangements	3,981	-	3,981	-	-	-
Total	**189,000**	**-**	**189,000**	**-**	**-**	**-**
Difference in contractual cash flows	**577,752**	**37,209**	**540,543**	**-**	**-**	**-**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of long term insurance contracts as of 31 December 2020.

GROUP

	Contractual cash flows (undiscounted)						
Financial assets	Total amount 31.12.2020 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost							
- Government securities	117,625,074	-	11,509,543	10,612,233	9,505,310	9,026,081	76,971,907
- Corporate bonds	487,214	-	170,671	316,543	-	-	-
- Fixed deposits	3,098,543	-	2,435,267	633,519	26,956	2,801	-
Fair value through profit and loss:	-	-	-	-	-	-	-
- Equity securities at FVTPL	7,756,543	7,756,543	-	-	-	-	-
- Government securities	57,668,868	-	3,146,033	4,774,356	3,646,006	3,002,366	43,100,106
- Corporate bonds	-	-	-	-	-	-	-
Mortgage loans	759,143	-	119,081	119,081	119,081	119,081	282,820
Policy loans	696,832	-	117,834	389,070	-	-	189,928
Other Receivable	769,065	-	769,065	-	-	-	-
Cash and cash equivalents	154,041	-	154,041	-	-	-	-
Total	**189,015,323**	**7,756,543**	**18,421,536**	**16,844,802**	**13,297,353**	**12,150,329**	**120,544,761**
Financial liabilities							
Insurance contracts-long term	45,543,712	-	604,215	1,079,070	1,227,191	1,789,136	40,844,100
Payables under unit linked policies	208,208	-	208,208	-	-	-	-
Less assets arising from reinsurance contracts	-	-	-	-	-	-	-
Payables arising from reinsurance arrangements	83,655	-	83,655	-	-	-	-
Payables under deposit administration contracts	64,439,693	-	64,439,693	-	-	-	-
Lease Liability	1,145,578	-	175,177	162,165	169,468	173,045	465,723
Other Payables	1,017,367	-	1,017,367	-	-	-	-
Total	**112,438,214**	**-**	**66,528,315**	**1,241,235**	**1,396,658**	**1,962,181**	**41,309,824**
Difference in contractual cash flows	**76,577,109**	**7,756,543**	**(48,106,779)**	**15,603,567**	**11,900,694**	**10,188,148**	**79,234,937**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of long term insurance contracts as of 31 December 2019.

GROUP

	Contractual cash flows (undiscounted)						
Financial assets	Total amount 31.12.2019 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost							
- Government securities	85,417,343	-	7,955,461	7,319,966	8,900,970	7,903,824	53,337,122
- Corporate bonds	965,030	-	326,650	321,443	315,744	1,193	-
- Fixed deposits	7,052,344	-	6,678,909	360,956	-	12,479	-
Fair value through profit and loss:							
- Equity securities at FVTPL	8,156,246	8,156,246	-	-	-	-	-
- Government securities	45,556,095	-	2,840,674	2,612,853	4,262,610	3,414,953	32,425,005
- Corporate bonds	54,404	-	54,404	-	-	-	-
Mortgage loans	745,870	-	135,607	135,607	135,607	135,607	203,442
Policy loans	613,966	-	95,844	229,203	-	-	288,919
Other Receivable	618,885	-	618,885	-	-	-	-
Cash and cash equivalents	53,675	-	53,675	-	-	-	-
Total	**149,233,858**	**8,156,246**	**18,760,109**	**10,980,028**	**13,614,931**	**11,468,056**	**86,254,488**
Financial liabilities							-
Insurance contracts-long term	55,715,750	-	501,884	939,238	1,286,005	1,283,747	51,704,876
Payables under unit linked policies	287,589	-	287,589	-	-	-	-
Less assets arising from reinsurance contracts	(17,100)	-	(17,100)	-	-	-	-
Payables arising from reinsurance arrangements	456	-	456	-	-	-	-
Payables under deposit administration contracts	57,248,548	-	57,248,548	-	-	-	-
Lease Liability	765,630	-	41,556	58,776	76,945	91,096	497,257
Other Payables	686,167	-	686,167	-	-	-	-
Total	**114,687,040**	**-**	**58,749,100**	**998,014**	**1,362,950**	**1,374,843**	**52,202,133**
Difference in contractual cash flows	**34,546,818**	**8,156,246**	**(39,988,991)**	**9,982,014**	**12,251,981**	**10,093,213**	**34,052,355**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of long-term insurance contracts as of 31 December 2020.

COMPANY

	Contractual cash flows (undiscounted)						
Financial assets	Total amount 31.12.2020 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost							
- Government securities	114,308,685	-	8,193,153	10,612,233	9,505,310	9,026,082	76,971,907
- Corporate bonds	487,214	-	170,671	316,543	-	-	-
- Deposit with financial institutions	2,727,822	-	2,064,547	633,519	26,956	2,801	-
Fair value through profit and loss:							
- Equity securities held at FVTPL	7,665,131	7,665,131	-	-	-	-	-
- Government securities	57,668,868	-	3,146,033	4,774,356	3,646,006	3,002,366	43,100,106
Mortgage loans	759,144	-	119,081	119,081	119,081	119,081	282,820
Policy loans	544,345	-	85,636	268,781	-	-	189,928
Other receivables	688,778	-	688,778	-	-	-	-
Cash and bank balances	88,055	-	88,055	-	-	-	-
Total	**184,938,042**	**7,665,131**	**14,555,954**	**16,724,513**	**13,297,353**	**12,150,330**	**120,544,761**
Long term insurance liabilities							
Insurance contracts - long term	45,419,066	-	479,569	1,079,070	1,227,191	1,789,136	40,844,100
Payables under unit linked policies	208,208	-	208,208	-	-	-	-
Less assets arising from reinsurance contracts	-	-	-	-	-	-	-
Payable arising from reinsurance contracts	55,305	-	55,305	-	-	-	-
Payables under deposit administration contracts	62,603,711	-	62,603,711	-	-	-	-
Lease Liability	907,007	-	100,184	107,640	114,941	118,519	465,723
Other payables	776,996	-	776,996	-	-	-	-
Total	**109,970,294**	**-**	**64,223,973**	**1,186,710**	**1,342,132**	**1,907,655**	**41,309,824**
Difference in contractual cash flows	**74,967,746**	**7,665,131**	**(49,668,019)**	**15,537,803**	**11,955,220**	**10,242,674**	**79,234,937**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of long-term insurance contracts as of 31 December 2019.

COMPANY

	Contractual cash flows (undiscounted)						
Financial assets	Total amount 31.12.2019 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost							
- Government securities	83,318,504	-	7,310,657	5,987,166	8,900,970	7,903,824	53,215,887
- Corporate bonds	965,030	-	326,650	321,443	315,744	1,193	-
- Deposit with financial institutions	6,660,630	-	6,287,195	360,956	-	12,479	-
Fair value through profit and loss:							
- Equity securities held at FVTPL	8,074,008	8,074,008	-	-	-	-	-
- Government securities	45,556,095	-	2,840,674	2,612,853	4,262,610	3,414,953	32,425,005
- Corporate bonds	54,404	-	54,404	-	-	-	-
Mortgage loans	745,870	-	135,607	135,607	135,607	135,607	203,442
Policy loans	505,449	-	95,844	229,203	-	-	180,402
Other receivables	544,606	-	544,606	-	-	-	-
Cash and cash equivalents							
Cash and bank balances	15,549	-	15,549	-	-	-	-
Total	**146,440,145**	**8,074,008**	**17,611,186**	**9,647,228**	**13,614,931**	**11,468,056**	**86,024,736**
Long term insurance liabilities							
Insurance contracts - long term	55,640,482	-	426,616	939,238	1,286,005	1,283,747	51,704,876
Payables under unit linked policies	287,589	-	287,589	-	-	-	-
Less assets arising from reinsurance contracts	(14,415)	-	(14,415)	-	-	-	-
Payable arising from reinsurance contracts	4,009	-	4,009	-	-	-	-
Payables under deposit administration contracts	56,111,116	-	56,111,116	-	-	-	-
Lease Liability	602,553	-	32,705	46,257	60,556	71,693	391,342
Other payables	520,869	-	520,869	-	-	-	-
Total	**113,152,203**	**-**	**57,368,489**	**985,495**	**1,346,561**	**1,355,440**	**52,096,218**
Difference in contractual cash flows	**33,287,942**	**8,074,008**	**(39,757,303)**	**8,661,733**	**12,268,370**	**10,112,616**	**33,928,518**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

b) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the financial instruments as the carrying amounts of the latter are not directly affected by changes in market risks.

The Group's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 1 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the Group's overall exposure to interest rate sensitivities included in the Group's ALM framework and its impact in the Group's profit or loss by business.

An increase/decrease of one percentage point in interest yields would result in additional profit/loss for the year of Shs 543 million (2019:Shs 631 million) investment income in long-term business and Shs 16 million (2019:Shs 3.4 million) in short-term business.

As at 31 December, the Group had the following interest bearing financial assets.

GROUP	Long term business 2020 Shs'000	Short term business and Investment Activities 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Assets				
Mortgage loans	604,372	-	604,372	574,700
Policy loans	696,832	-	696,832	613,966
Corporate bonds held at amortised cost	430,390	-	430,390	800,840
Corporate bonds held at FVTPL	-	-	-	44,349
Government securities held at amortised cost	56,636,912	573,491	57,210,403	45,958,349
Government securities held at FVTPL	24,627,809	427,345	25,055,154	21,212,529
Deposits with financial institutions	2,873,839	1,022,347	3,896,186	6,665,270
Total interest bearing assets	**85,870,154**	**2,023,183**	**87,893,337**	**75,870,003**
COMPANY				
Assets				
Mortgage loans	604,372	-	604,372	574,700
Policy loans	544,345	-	544,345	505,449
Corporate bonds held at amortised cost	430,390	-	430,390	800,840
Corporate bonds held at FVTPL	-	-	-	44,349
Government securities held at amortised cost	53,320,522	-	53,320,522	43,442,710
Government securities held at FVTPL	24,627,809	212,056	24,839,865	21,006,104
Deposits with financial institutions	2,542,871	417,747	2,960,618	5,855,929
Total interest bearing assets	**82,070,309**	**629,803**	**82,700,112**	**72,230,081**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
b) Market risk (continued)

(ii) Currency risk

Foreign exchange currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. The currency risk is also effectively managed by ensuring that the transactions between the Group and other parties are designated in the functional currencies of the individual Group companies.

At 31 December 2020, if the Kenya shilling had weakened/strengthened by 1% against the Uganda Shillings with all other variables held constant the profit before tax for the year would have been increased/decreased by Shs 0.454 million (2019: Shs 0.454 million) mainly as a result of ICEA Life Assurance (U) Company Limited and ICEA General Insurance (U) Company Limited operations.

c) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from corporate bond issuers
- Cash and cash equivalents (including fixed deposits)
- Government securities

The Group manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Groups of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalization of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

The Group has in place a well - developed counterparty model that is used to evaluate banks where the Group can place bank deposits. The model has incorporated Bank performance, governance structures and asset quality in arriving at counter party scores. The counter party model is reviewed bi-annually and banks that do not meet the deposit placement criteria and dropped from the approved bank deposit placement institutions.

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs.

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The tables below represent the maximum credit risk exposure to the Group attributable to receivables arising out of direct insurance and reinsurance contracts as at 31 December 2020 and 2019.

GROUP

31 December 2020	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held at amortised cost	57,267,991	(57,588)	57,210,403
Government securities held at FVTPL	25,055,154	-	25,055,154
Receivables arising from insurance contracts held	29,525	-	29,525
Receivables arising from reinsurance contracts held	97,910	-	97,910
Mortgage loans	607,307	(2,935)	604,372
Policy loans	698,234	(1,402)	696,832
Corporate bonds held at amortised cost	431,599	(1,209)	430,390
Corporate bonds held at FVTPL	-	-	-
Deposits with financial institutions	3,915,748	(19,562)	3,896,186
Cash and bank balances	190,482	(272)	190,210
Other receivables	1,045,111	(10,782)	1,034,329
	89,339,062	**(93,751)**	**89,245,311**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
c) Credit risk

Management continues to actively follow up past due and impaired receivables.

Management makes regular reviews to assess the degree of compliance with the Group's procedures on credit. Exposures to individual policyholders and Groups of policyholders are tracked within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous Groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

Classification of credit risk bearing assets

The tables below represent the maximum credit risk exposure to the Group attributable to receivables arising out of direct insurance and reinsurance contracts as at 31 December 2020 and 2019.

GROUP

31 December 2019	Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held to amortised cost	46,005,168	(46,819)	45,958,349
Government securities held at FVTPL	21,212,529	-	21,212,529
Receivables arising from insurance contracts held	29,197	-	29,197
Receivables arising from reinsurance contracts held	79,786	-	79,786
Mortgage loans	580,214	(5,514)	574,700
Policy loans	615,399	(1,433)	613,966
Corporate bonds	804,313	(3,473)	800,840
Corporate bonds held at FVTPL	44,349	-	44,349
Deposits with financial institutions	6,695,795	(30,525)	6,665,270
Cash and bank balances	154,628	(2,759)	151,869
Other receivables	997,230	(295,058)	702,172
	77,218,608	**(385,581)**	**76,833,027**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
c) Credit risk (continued)

COMPANY

31 December 2020	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held at amortised cost	53,374,368	(53,846)	53,320,522
Government securities held at FVTPL	24,839,865	-	24,839,865
Mortgage loans	607,307	(2,935)	604,372
Policy loans	545,747	(1,402)	544,345
Corporate bonds held at amortised cost	431,599	(1,209)	430,390
Deposits with financial institutions	2,973,142	(12,524)	2,960,618
Cash and bank balances	90,511	312	90,823
Other receivables	732,271	-	732,271
	83,594,810	**(71,604)**	**83,523,206**

COMPANY

31 December 2019	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held at amortised cost	43,486,997	(44,287)	43,442,710
Government securities held at FVTPL	21,006,104	-	21,006,104
Mortgage loans	580,214	(5,514)	574,700
Policy loans	506,882	(1,433)	505,449
Corporate bonds held at amortised cost	804,313	(3,473)	800,840
Corporate bonds held at FVTPL	44,349	-	44,349
Deposits with financial institutions	5,876,589	(20,660)	5,855,929
Cash and bank balances	17,186	(42)	17,144
Other receivables	589,264	-	589,264
	72,911,898	**(75,409)**	**72,836,489**

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The past due debtors are not impaired and continue to be paid. The group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

Management makes regular reviews to assess the degree of compliance with the Group's procedures on credit. Exposures to individual policyholders and Groups of policyholders are tracked within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous Groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
c) Credit risk (continued)

Group

	Opening ECL Shs'000	Additional Shs'000	Reversal Shs'000	Closing ECL Shs'000
Government securities held at amortised cost	46,819	12,213	(1,444)	57,588
Deposits with financial institutions	30,525	472	(11,436)	19,562
Corporate bonds held at amortised cost	3,473	-	(2,264)	1,209
Mortgage loans	5,514	-	(2,579)	2,935
Policy Loans	1,433	-	(30)	1,402
Receivables arising from insurance contracts held	56,676	-	(56,676)	-
Receivables arising from reinsurance contracts held	152,704	-	(151,289)	1,416
Other receivables	85,678	-	(76,312)	9,366
Cash and bank balances	2,759	-	(2,487)	272
Total	**385,581**	**12,685**	**(304,516)**	**93,751**
Company				
Government securities held at amortised cost	44,287	11,002	(1,444)	53,846
Deposits with financial institutions	20,660	472	(8,609)	12,524
Corporate bonds held at amortised cost	3,473	-	(2,264)	1.209
Mortgage loans	5,514	-	(2,579)	2,935
Policy Loans	1,433	-	(30)	1,402
Cash and bank balances	42	-	(354)	(312)
Total	**75,409**	**11,475**	**(15,280)**	**71,604**

(d) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
(d) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities measured at fair value at 31 December 2020 and 31 December 2019.

GROUP	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Total Shs '000
31 December 2020				
Financial assets at fair value through profit or loss				
- Equity securities	7,766,052	-	-	7,766,052
- Government securities held at FVTPL	25,055,154	-	-	25,055,154
Total financial assets	**32,821,206**	**-**	**-**	**32,821,206**
31 December 2019				
Financial assets at fair value through profit or loss				
- Equity securities	8,165,691	-	-	8,165,691
- Government securities held at FVTPL	21,212,529	-	-	21,212,529
- Corporate bonds held at FVTPL	44,349			44,349
Total financial assets	**29,422,569**	**-**	**-**	**29,422,569**

There were no transfers between levels 1, 2 and 3 in the period (2019: None).

Reconciliation of level 3 fair value measurements

There were no financial assets or financial liabilities measured at fair value on level 3 fair value.

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The following table presents the Company's financial assets and liabilities measured at fair value at 31 December 2020 and 31 December 2019.

COMPANY	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Total Shs '000
31 December 2020				
Financial assets at fair value through profit or loss				
- Equity securities	7,665,131	-	-	7,665,131
- Government securities held at FVTPL	24,839,865	-	-	24,839,865
Total financial assets	**32,504,996**			**32,504,996**
31 December 2019				
Financial assets at fair value through profit or loss				
- Equity securities	8,074,008	-	-	8,074,008
- Government securities held at FVTPL	21,006,104	-	-	21,006,104
- Corporate bonds held at FVTPL	44,349	-	-	44,349
Total financial assets	**29,124,461**	**-**	**-**	**29,124,461**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

(d) Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The group is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities Exchange and on the Kampala Stock Exchange which are classified at fair value through profit or loss. Exposure to equity price risk in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

The group has a defined investment policy which sets limits on the group's exposure to equity securities both in aggregate terms and by category/share. This policy of diversification is used to manage the group's price risk arising from its investments in equity securities.

At 31 December 2020, if equity market indices had increased/decreased by 5%, with all other variables held constant, the group profit before tax for the year would increase/ decrease by Ksh 388,302,000 (2019: increase/decrease by Ksh 408,284,000).

At 31 December 2020, if equity market indices had increased/decreased by 5%, with all other variables held constant, the company profit before tax for the year would increase/ decrease by Ksh 383,256,000 (2019: increase/decrease by Ksh 403,700,000).

(e) Capital management

The Group maintains an efficient capital structure from a combination of equity shareholders' funds and borrowings, consistent with the Group's risk profile and the regulatory and market requirements of its business.

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to maintain financial strength to support new business growth
- to satisfy the requirements of its policyholders, regulators and rating agencies
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- to allocate capital efficiently to support growth
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Group's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Group is focused on the creation of value for shareholders.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
(e) Capital management (continued)

The Group has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The Group considers not only the traditional sources of capital funding but also the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Group manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Group manages capital in accordance with these rules and has embedded in its ALM framework the necessary tests to ensure continuous and full compliance with such regulations. The Group has complied with all externally imposed capital requirements throughout the year.

Insurance entities in Kenya are governed by the Insurance Act and as such are subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities.

The new capital requirements (Risk Based Capital) were introduced in the Finance Act, 2015. Insurance companies are required to hold paid up capital by the 30th June 2018; the higher of:-
(i) Shs 400 million; or
(ii) risk based capital determined by the Insurance Regulatory Authority (IRA) from time to time; or
(iii) 5% of the liabilities of the life business for the financial year.

In line with risk-based methodology, IRA has developed a Risk Based Capital (RBC) model, which is aimed at introducing capital requirements that are commensurate to the levels of risk being undertaken, and provide appropriate incentives for good risk management. The RBC model is a factor-based model that computes the capital requirement based on four risk segments: insurance, market, credit and operational risk.

The Company's Capital adequacy ratio position as at 31 December 2020 is as shown below;

	2020 Shs'000	2019 Shs'000
Available Capital	13,257,465	12,047,363
Required Capital	4,166,089	3,752,734
Capital Adequacy ratio	**318%**	**321%**
Required Capital Adequacy ratio	**200%**	**200%**

In Uganda, statutory capital is based on Section 6 of the Insurance Act, 2011.

The Uganda Insurance Act require each insurance company to hold the minimum level of paid up capital as follows;
- General insurance business companies: Ushs 4 billion and
- Long term insurance business companies: Ushs 3 billion

The Insurance Act, 2011 further requires that 2% of the gross written premium or 15% of the net profit, whichever is greater, be transferred to the contingency reserve until it equals the minimum paid up capital or 50% of the current year's net written premium, whichever is higher.

Additionally, for a general insurance company, the Insurance Act, 2011 requires that 5% of the net profit for the year be transferred to the capital reserve.

The two insurance companies in Uganda complied with these requirements during the year.

5. GROSS EARNED PREMIUMS

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

	Group		Company	
	2020 Shs '000	2019 Shs '000	2020 Shs '000	2019 Shs '000
Long-term business				
Ordinary life	3,635,400	3,845,405	3,041,711	3,302,679
Group life	481,525	449,245	326,242	318,592
Group Credit	241,105	265,165	191,734	200,821
Annuity	1,291,990	542,464	1,275,387	529,785
	5,650,020	**5,102,279**	**4,835,074**	**4,351,877**
Short-term business				
Motor	239,212	142,173	-	-
Fire	106,423	149,487	-	-
Personal accident	104,853	76,933	-	-
Other	292,517	293,080	-	-
	743,005	**661,673**	**-**	**-**
	6,393,025	**5,763,952**	**4,835,074**	**4,351,877**

ICEA LION LIFE ASSURANCE

6. INVESTMENT INCOME

GROUP	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000
Investments held to maturity						
Interest from government securities	9,042,348	107,591	9,149,939	7,655,484	66,678	7,722,162
Interest from corporate bonds	84,043	-	84,043	155,935	-	155,935
Interest from unit trusts	18,747	333	19,080	-	-	-
Interest from bank deposit	272,186	40,069	312,255	263,938	52,383	316,321
	9,417,324	**147,993**	**9,565,317**	**8,075,357**	**119,061**	**8,194,418**
Investments at fair value through profit or loss						
Fair value (loss)/gains on equity investments (Note 18)	(1,337,987)	(689)	(1,338,676)	1,259,142	(1,945)	1,257,197
Dividends receivable from equity investments	324,837	31,539	356,376	426,560	32,018	458,578
(Loss)/gain on disposal of equity investments	(3,830)	-	(3,830)	64,368	-	64,368
Gain on disposal of bonds	73,510	-	73,510	-	-	-
Fair value gains on treasury bonds at fair value	213,480	(11,145)	202,335	274,827	2,352	277,179
Fair value (loss)/gains on unit trusts	(70,315)	(24)	(70,339)	13,913	2,624	16,537
Interest income on treasury bonds	-	25,245	25,245	-	25,479	25,479
Interest income on unit trusts	-	23,742	23,742	-	16,535	16,535
	(800,305)	**67,794**	**(732,511)**	**2,038,810**	**77,063**	**2,115,873**
Loans and receivables						
Loan interest receivable-mortgages	89,751	-	89,751	81,123	-	81,123
Loan interest receivable-policy loans	72,732	-	72,732	56,179	-	56,179
	162,483	**-**	**162,483**	**137,302**	**-**	**137,302**
Investment properties						
Fair value (loss)/gains on investment properties (Note 17)	(171,690)	(2,161)	(173,851)	209,956	300	210,256
Rental income from investment properties	469,699	34,395	504,094	508,840	49,274	558,114
	298,009	**32,234**	**330,243**	**718,796**	**49,574**	**768,370**
Net investment income	**9,077,511**	**248,021**	**9,355,532**	**10,970,265**	**245,698**	**11,215,963**

6. INVESTMENT INCOME (CONTINUED)

COMPANY

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000
Investments held to maturity						
Interest from government securities	8,671,579	25,037	8,696,616	7,430,772	3,800	7,434,572
Interest from corporate bonds	84,043	-	84,043	155,935	-	155,935
Interest from unit trusts	18,747	333	19,081	-	-	-
Interest from bank deposits	231,008	32,899	263,907	215,735	40,631	256,366
	9,005,377	**58,269**	**9,063,646**	**7,802,442**	**44,431**	**7,846,873**
Investments at fair value through profit or loss						
Fair value (loss) /gains on equity investments (Note 18)	(1,331,117)	-	(1,331,117)	1,272,922	-	1,272,922
Dividends receivable from equity investments	323,435	75,908	399,343	421,768	30,908	452,676
(Loss)/Gain on disposal of equity investments	(3,830)	-	(3,830)	64,368	-	64,368
Gain on disposal of treasury bonds	73,510	-	73,510	-	-	-
Fair value gains on treasury bonds	213,480	(11,887)	201,593	274,827		274,827
Fair value gains on unit trusts	(70,747)	-	(70,747)	13,913	2,578	16,491
	(795,269)	**64,021**	**(731,248)**	**2,047,798**	**33,486**	**2,081,284**
Loans and receivables						
Loan interest receivable-mortgages	89,739	-	89,739	81,123	-	81,123
Loan interest receivable-policy loans	56,895	-	56,895	43,439	-	43,439
	146,634	**-**	**146,634**	**124,562**	**-**	**124,562**
Investment properties						
Fair value (Loss)/gains on investment properties (Note 17)	(171,690)	(2,161)	(173,851)	209,956	300	210,256
Rental income from investment properties	471,695	34,395	506,090	510,285	49,274	559,559
	300,005	**32,234**	**332,239**	**720,241**	**49,574**	**769,815**
Investment Expenses	(101,833)	(1,396)	(103,229)	(91,580)	(1,319)	(92,899)
Net investment income	**8,554,914**	**153,128**	**8,708,042**	**10,603,463**	**126,172**	**10,729,635**

7. OTHER OPERATING INCOME

GROUP

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Others	39,293	15,302	54,595	35,791
Allowance for expected credit losses	3,427	2,186	5,613	(14,749)
	42,720	**17,488**	**60,208**	**21,042**

COMPANY

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Others	36,334	(458)	35,876	33,277
Allowance for expected credit losses	3,427	379	3,806	(10,500)
	39,761	**(79)**	**39,682**	**22,777**

Others (referred above) is mainly made up of withdrawal penalties and interest on staff advances and car loans.

8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

GROUP

	2020 Shs'000	2019 Shs'000
Long term insurance business		
Death and disability claims	561,291	241,951
Life maturity claims	1,410,972	992,988
Surrenders	252,339	564,044
Annuity payments	1,190,740	1,123,779
Interest payable to policy holders and on deposit admin contracts	4,730,685	5,190,027
Increase in actuarial liabilities	2,546,311	1,183,684
Reinsurance recoveries	(320,940)	(47,420)
	10,371,398	**9,249,053**
General insurance business		
Motor	59,067	57,963
Fire	39,528	23,592
Personal accident	53,719	89,598
Other	191,987	98,962
Reinsurance recoveries	(230,133)	(189,824)
	114,168	**80,291**
Total claims and policy holder benefits payable	**10,485,566**	**9,329,344**

8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE (continued)

COMPANY	2020 Shs'000	2019 Shs'000
Long term insurance business		
Death and disability claims	456,306	175,323
Life maturity claims	1,259,714	829,402
Surrenders	252,339	564,044
Annuity payments	1,190,740	1,183,684
Interest payable to policy holders and on deposit admin contracts	4,576,222	5,076,535
Increase /(decrease) in actuarial liabilities	2,352,370	888,456
Reinsurance recoveries	(281,114)	(25,941)
	9,806,577	**8,691,503**

9. (A) OTHER OPERATING EXPENSES

GROUP	2020 Shs'000	2019 Shs'000
Employee benefit expense (see note below)	1,027,270	1,063,201
Auditors' remuneration	9,273	8,028
Directors' emoluments	6,374	6,454
Depreciation (Note 14)	66,100	56,544
Amortization (Note 15)	61,109	21,385
Repairs and maintenance expenditure	3,889	7,724
Rental charges	13,401	13,629
Depreciation charge on ROUA (Note 16)	124,457	103,962
Legal Fees	(863)	7,277
Business promotions	118,888	164,538
Insurance expenses	55,852	57,533
Bank charges	41,268	38,487
Printing & stationery	19,131	31,399
Premium tax	50,100	40,339
Fund Administration fees	30,218	26,842
Technology expenditure	102,042	76,734
Professional fees	21,280	19,365
Communication expenditure	21,720	21,003
Other	176,050	311,393
	1,947,559	**2,075,837**

Key items included in other expenses are fund medical expenses, stamp duty, corporate trustee fees, office tea and consumables, check-off administration fees and policy holders protection levy.

9. (A) OTHER OPERATING EXPENSES (CONTINUED)

	2020 Shs'000	2019 Shs'000
Employee benefit expense		
Employee benefit expense comprise the following:		
- Salaries and wages	772,779	704,935
- NSSF costs	17,699	15,235
- Defined contribution scheme	84,455	70,245
- Performance bonus	19,614	128,027
- Medical expenses	43,203	37,588
- Training	10,203	25,220
- Travelling allowance	45,782	33,358
- Commuter allowance	5,622	15,488
- Subscription professional staff	1,664	1,972
- Staff mortgage subsidy	23,771	22,349
- Staff housing	2,478	8,784
	1,027,270	**1,063,201**

COMPANY

	2020 Shs'000	2019 Shs'000
Employee benefit expense (see note below)	577,308	620,783
Auditors' remuneration	4,616	4,046
Directors' emoluments	3,180	3,327
Depreciation (Note 14)	44,826	37,602
Amortization (Note 15)	10,686	15,753
Repairs and maintenance expenditure	1,968	3,260
Rental charges	10,409	9,126
Depreciation charge on ROUA (Note 16)	55,314	54,593
Business promotions	89,578	121,628
Insurance expenses	30,098	36,034
Bank charges	26,745	26,146
Printing & stationery	10,262	16,812
Premium tax	37,876	29,083
Fund Administration fees	30,045	26,392
Technology expenditure	61,797	52,890
Professional fees	15,779	9,431
Communication expenditure	9,910	9,684
Other	113,243	141,489
	1,133,640	**1,218,079**

Key items included in other expenses are fund medical expenses, stamp duty, corporate trustee fees, office tea and consumables, check-off administration fees and policy holders protection levy.

9. (A) OTHER OPERATING EXPENSES (CONTINUED)

	2020 Shs'000	2019 Shs'000
Employee benefit expense		
Employee benefit expense comprise the following:		
- Salaries and wages	421,599	395,494
- NSSF costs	390	564
- Defined contribution scheme	63,437	49,319
- Performance bonus	9,802	82,979
- Medical expenses	30,160	29,545
- Training	6,808	19,726
- Travelling allowance	29,739	28,719
- Subscription professional staff	364	328
- Staff mortgage subsidy	15,009	14,109
	577,308	**620,783**

	GROUP		COMPANY	
	2020	2019	2020	2019
The average number of employees during the year was as follows:				
Business Development	67	58	21	22
Operations	204	195	103	103
Management and administration	41	39	16	15
	312	**292**	**140**	**140**

9. (B) FINANCE COST

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Interest on lease liabilities (Note 38)	101,583	115,582	66,214	78,255
	101,583	**115,582**	**66,214**	**78,255**

10. INCOME TAX EXPENSE

GROUP

	2020 Shs'000	2019 Shs'000
Current income tax	345,366	314,876
Deferred income tax charge / (credit) (Note 35)	(217,474)	1,056,213
Income tax expense	**127,892**	**1,371,089**

10. INCOME TAX EXPENSE (CONTINUED)

During the year the group's tax rate reduced to 25% for company and subsidiaries in Kenya as part of tax amendments by the government to cushion businesses following the impact of COVID-19.

The income tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

GROUP

	2020 Shs'000	2019 Shs'000
Profit before income tax	2,203,713	4,604,201
Tax calculated at 25% (2019: 30%) for company and its subsdiaries in Kenya and 30% (2019: 30%) for subsidiaries in Uganda	585,185	1,381,260
Tax effects of:		
– Income not subject to tax	(1,003,258)	(683,112)
– Expenses not deductible for tax purposes	545,965	672,951
Income tax expense/(credit)	**127,892**	**1,371,089**

COMPANY

	2020 Shs'000	2019 Shs'000
Current income tax	176,345	197,454
Deferred income tax charge / (credit) (Note 35)	(240,798)	1,065,339
Income tax expense/(credit)	**(64,453)**	**1,262,793**

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

The income tax expense on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2020 Shs'000	2019 Shs'000
Profit before income tax	1,517,398	4,225,292
Tax calculated at domestic tax rates applicable to profits in the respective countries 25% (2019: 30%)	379,350	1,267,588
Tax effects of:		
– Income not subject to tax *	(957,872)	(616,174)
– Expenses not deductible for tax purposes **	514,070	611,379
Income tax expense/(credit)	**(64,453)**	**1,262,793**

* For long-term business, only the amount transferred to shareholders is subject to tax on condition that the company expenditure is within the permitted expenditure as per the Insurance Act.

** For Long-term business, all expenses are allowable for tax purposes as long they are within the permitted expenditure as per the Insurance Act.

11. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Profit for the year (Shs' 000)	2,075,821	3,233,112	1,581,849	2,962,499
Number of ordinary shares	22,500	22,500	22,500	22,500
Basic earnings/(loss) per share (Shs)	**92.26**	**143.69**	**70.30**	**131.67**

The basic earnings per share is the same as the diluted earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

12. RESERVES

Statutory reserves

The statutory reserve relates to;

Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings.

(i) The surplus on the long term business which is not distributable as dividends as per the requirements of the Insurance Act.

(ii) The contingency reserve under the Uganda subsidiary which is set up under Section 47(2) (c) of the Uganda Insurance Statute 1996. The reserve is provided for at the greater of 2% of the gross premium income, and 15% of net profit each year effective from 1996 and is required to accumulate until it reaches the greater of either minimum paid up capital or 50% of the net premiums written.

Currency translation reserve

Currency translation reserve relates to translation gains and losses arising as a result of translating opening balances using exchange rates at the close of the period rather than exchange rates at the beginning of the period on consolidation of the subsidiaries.

13. DIVIDENDS

In respect of 2020, an interim dividend of Shs 200 million was recommended (2019: Nil). The directors recommend a final dividend of Shs 10.44. per share amounting to Shs 235 million (2019: Shs 19.33 per share amounting to Shs 435 million).

14. MOTOR VEHICLE & EQUIPMENT

GROUP

	Motor vehicles Shs'000	Computers Shs'000	Fittings and equipment Shs'000	Total Shs'000
COST				
At 1 January 2019	43,938	169,670	291,034	504,642
Additions	250	32,282	40,506	73,038
Disposals	(225)	(153)	(3,193)	(3,571)
Exchange difference	97	251	707	1,055
At 31 December 2019	**44,060**	**202,050**	**329,054**	**575,164**
Balance as at 1 January 2020	**44,060**	**202,050**	**329,054**	**575,164**
Reclassified to intangible assets	-	(7,175)	-	(7,175)
Additions	15,077	32,288	23,478	70,843
Disposals	-	(81)	(85)	(166)
Exchange difference	1,011	(737)	9,206	9,480
At 31 December 2020	**60,148**	**226,345**	**361,653**	**648,146**
DEPRECIATION				
At 1 January 2019	35,080	153,911	161,653	350,644
Charge for the year	4,818	17,341	36,548	58,707
Eliminated on disposals	(192)	(36)	(1,911)	(2,139)
Exchange differences	69	199	339	607
At 31 December 2019	**39,775**	**171,415**	**196,632**	**407,821**
Balance as at 1 January 2020	**39,775**	**171,415**	**196,632**	**407,821**
Reclassified to intangible assets	-	(2,153)	-	(2,153)
Charge for the year	6,120	22,781	37,207	66,108
Eliminated on disposals	-	-	(68)	(68)
Exchange differences	887	(1,658)	5,397	4,626
At 31 December 2020	**46,782**	**190,385**	**239,168**	**476,335**
NET BOOK VALUE				
At 31 December 2020	**13,366**	**35,960**	**122,485**	**171,811**
At 31 December 2019	**4,289**	**30,635**	**132,422**	**167,347**

14. MOTOR VEHICLE AND EQUIPMENT (CONTINUED)

COMPANY

	Motor vehicles Shs'000	Computers Shs'000	Fittings and equipment Shs'000	Total Shs'000
COST				
At 1 January 2019	26,661	130,743	198,289	355,693
Additions	-	17,685	27,961	45,646
At 31 December 2019	**26,661**	**148,428**	**226,250**	**401,339**
At 1 January 2020	26,661	148,428	226,250	401,339
Additions	15,077	20,650	9,243	44,970
At 31 December 2020	**41,738**	**169,078**	**235,493**	**446,309**
DEPRECIATION				
At 1 January 2019	24,716	120,390	119,165	264,271
Charge for the year	1,240	11,143	25,219	37,602
At 31 December 2019	**25,956**	**131,533**	**144,384**	**301,873**
At 1 January 2020	25,956	131,533	144,384	301,873
Charge for the year	4,474	16,282	24,070	44,826
At 31 December 2020	**30,430**	**147,815**	**168,454**	**346,699**
NET BOOK VALUE				
At 31 December 2020	**11,308**	**21,263**	**67,039**	**99,609**
At 31 December 2019	**705**	**16,894**	**81,866**	**99,465**

15. INTANGIBLE ASSETS

	GROUP 2020 Ksh'000	GROUP 2019 Ksh'000	COMPANY 2020 Ksh'000	COMPANY 2019 Ksh'000
Cost				
Balance as at 1 January 2020	190,723	138,070	140,017	121,950
Reclassified from motor vehicle and equipment	7,175	-	-	-
Additions during the year	116,355	52,625	-	18,067
Exchange difference	346	28	-	
At 31 December	**314,599**	**190,723**	**140,017**	**140,017**
Depreciation				
Balance as at 1 January 2020	143,977	122,566	122,975	107,222
Reclassified from motor vehicle and equipment	2,153	-	-	-
Charge for the year	61,109	21,385	10,686	15,753
Exchange difference	304	26	-	-
At 31 December	**207,543**	**143,977**	**133,661**	**122,975**
Net book value	**107,056**	**46,746**	**6,356**	**17,042**

16. RIGHT-OF-USE ASSET

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Cost				
At 1 January	773,436	-	449,518	-
Day one adjustment	-	769,391	-	446,411
Additions during the year	70,477	3,363	8,958	3,107
De-recognition *	(18,804)	-	(9,242)	-
Exchange difference	24,309	682	-	-
At 31 December	**849,418**	**773,436**	**449,234**	**449,518**
Depreciation				
At 1 January	104,012	-	54,593	-
Charge for the year	124,457	103,962	55,314	54,593
Eliminated on de-recognition	(6,329)	-	-	-
Exchange difference	7,016	50	-	-
At 31 December	**229,156**	**104,012**	**109,907**	**54,593**
Net book value	**620,262**	**669,424**	**339,327**	**394,925**

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

Four of the Company leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets.

The maturity analysis of the lease liabilities is presented in note 38.

	GROUP		COMPANY	
	2020 Ksh'000	2019 Ksh'000	2020 Ksh'000	2019 Ksh'000
Depreciation expense on right-of-use assets	124,457	103,962	55,314	54,593
Interest expense on lease liabilities	101,583	115,582	66,214	78,255

The Group and Company has no restrictions or covenants imposed by its leases, neither are there arranged sale and leaseback transactions.

The Group and Company has considered the options available to extend or terminate a lease and has considered that for all its leases it expects to extend the lease term by one addtional term.

The Company has determined the threshold for low values leases as Ksh 500,000.

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

17. INVESTMENT PROPERTIES – GROUP AND COMPANY

	Long term business Shs'000	Short term business Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
At start of year	9,526,200	1,246,300	10,772,500	10,534,000
Additions	8,490	2,861	11,351	28,244
Fair value (loss)/ gains (Note 6)	(171,690)	(2,161)	(173,851)	210,256
At year end	**9,363,000**	**1,247,000**	**10,610,000**	**10,772,500**

The investment properties were last revalued on 31st December 2020 by Kiragu & Mwangi Limited, independent valuers, on an open market basis using the highest and best use principle. The properties are managed by Knight Frank Kenya Limited. The rental income received from the investment properties for the group was Shs 499,338,000 (2019:Shs 558,094,000) company was Shs 506,090,000 (2019: Shs 559,559,000) (Note 6).

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
At 31 December 2020				
Investment property	-	-	10,610,000	10,610,000
At 31 December 2019				
Investment property	-	-	10,772,500	10,772,500

Valuation technique used to derive level 3 fair values

Level 3 fair value of investment properties has been derived using discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales.

18. EQUITY INVESTMENTS

GROUP

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Quoted investments - at fair value through profit or loss				
At 1 January	8,156,249	9,442	8,165,691	6,832,982
Additions	954,274	-	954,274	461,904
Disposals	(22,959)	-	(22,959)	(387,145)
Fair value (losses) /gains (Note 6)	(1,337,987)	(689)	(1,338,676)	1,257,197
Exchange differences	6,965	756	7,721	753
At 31 December	**7,756,543**	**9,509**	**7,766,052**	**8,165,691**

COMPANY

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Quoted investments - at fair value through profit or loss				
At 1 January	8,074,115	-	8,074,115	6,738,294
Additions	945,092	-	945,092	451,042
Disposals	(22,959)	-	(22,959)	(388,250)
Fair value (losses) /gains (Note 6)	(1,331,117)	-	(1,331,117)	1,272,922
At 31 December	**7,665,131**	**-**	**7,665,131**	**8,074,008**

19. INVESTMENTS IN SUBSIDIARIES – AT COST

	COMPANY			
	Long term Shs'000	Short term Shs'000	2020 Shs'000	2019 Shs'000
ICEA LION Asset Management Limited	-	34,596	34,596	34,596
ICEA LION Trust Company Limited	-	10,000	10,000	10,000
Riverside Park Limited	9,823	-	9,823	9,823
ICEA Life Assurance Company Limited	-	151,234	151,234	151,234
ICEA Asset Management Limited	-	4,250	4,250	4,250
ICEA General Insurance Company Limited	-	483,021	483,021	483,021
	9,823	**683,101**	**692,924**	**692,924**

All the above subsidiaries are 100% owned by ICEA LION Life Assurance Company Limited.

Subsidiary	***Principal business activity***
ICEA LION Asset Management Limited	Management of investment portfolios for clients.
ICEA LION Trust Company Limited	Provision of administration and trustee services to retirement benefit schemes and other clients.
ICEA Life Assurance Company Limited - Uganda	Transacts life insurance business and pension scheme administration after transferring the general business to ICEA General Insurance Company Limited on 1st September 2014
ICEA General Insurance Company Limited - Uganda	Transacts general insurance business.
Riverside Park Limited	The company ceased trading on 31 December 1996 and is dormant.
ICEA Asset Management Limited - Uganda	Management of investment portfolios for clients.

20. INVESTMENTS IN ASSOCIATE

GROUP – SHORT TERM BUSINESS	2020 Shs'000	2019 Shs'000
Company's shares of net assets;		
At 1 January	1,568,580	1,417,375
Share of profit	126,958	182,105
Share of other comprehensive income	(4,786)	-
Dividends received	(30,907)	(30,900)
At 31 December	**1,659,845**	**1,568,580**

20. INVESTMENTS IN ASSOCIATE (CONTINUED)

Further information on the associate company is shown below:

Company	*Share capital Shs*	*% owned*	*Country of Incorporation*	*Principal activity*
East Africa Reinsurance Company Limited	*1,000,000*	*30.91%*	*Kenya*	*Underwriting all classes of reinsurance and reassurance businesses*

A summary of financial information as of 31 December 2020 and for the year then ended in respect of the associate company is set out below:

	2020 Shs'000	2019 Shs'000
Total assets	10,261,472	10,480,684
Total liabilities	4,891,277	5,404,372
Net assets	5,370,195	5,076,312
Group's share of the net assets	**1,659,845**	**1,569,088**
Net earned premiums	3,890,681	4,037,847
Profit before income tax	606,081	835,169
Income tax expense	(196,713)	(245,832)
Profit for the year	409,368	589,337
Other comprehensive income	(15,485)	-
Total comprehensive income for the year	**393,883**	**589,337**

COMPANY	2020 Shs'000	2019 Shs'000
At cost		
At 1st January	553,922	553,922
Additions	-	-
At 31 December	**553,922**	**553,922**

21. KENYA MOTOR INSURANCE POOL- GROUP AND COMPANY

The Kenya Motor Insurance Pool (KMIP) was a mandatory pool set up to provide motor cover under pooled arrangement. KMIP has ceased underwriting and is now dormant though its investments continue to earn income. This balance is recoverable from the pool through a refund amount due upon distribution of the pool assets.

(a) Details of the Group's share in the pool as at the end of the reporting period are as follows;

Name	**Country of incorporation and operation**	**Principal activity**	**Proportion of ownership interest and voting power held by the company** 2020	2019
Kenya Motor Insurance Pool	Kenya	Sharing of pool business and risks by underwriting and investments.	5.34%	5.34%

21. KENYA MOTOR INSURANCE POOL- GROUP AND COMPANY (CONTINUED)

(b) The movement in the amount due is shown below;

	2020 Shs'000	2019 Shs'000
At 1 January	37,209	46,944
Partial distribution	-	(14,661)
Net (decrease)/increase in Group share of net assets of the pool	(506)	4,926
	36,703	**37,209**

22. LOANS RECEIVABLE

(a) Mortgage loans - GROUP AND COMPANY

	2020 Shs'000	2019 Shs'000
At 1 January	580,214	537,997
Loans advanced	114,113	145,774
Interest charged	36,823	33,221
Loans repayments	(123,843)	(136,778)
Gross	**607,307**	**580,214**
Allowance for expected credit losses	(2,935)	(5,514)
At 31 December	**604,372**	**574,700**

Maturity profile of mortgage loans:

Loans maturing:		
Within 1 year	4,278	27,620
1 to 5 years	25,885	95,926
Over 5 years	574,209	451,154
	604,372	**574,700**

(b) Policy loans

GROUP

	2020 Shs'000	2019 Shs'000
At 1 January	615,399	572,647
Loans advanced	250,962	312,132
Interest charged	69,827	56,179
Loans repayments	(249,709)	(326,371)
Exchange adjustments	11,755	812
Gross	**698,234**	**615,399**
Allowance for expected credit losses	(1,402)	(1,433)
At 31 December	**696,832**	**613,966**

22. LOANS RECEIVABLE (CONTINUED)

(b) Policy Loans (Continued)

	2020 Shs'000	2019 Shs'000
Maturity profile of policy loans:		
Loans maturing:		
Within 1 year	117,834	100,101
1-5 years	389,070	272,533
Over 5 years	189,928	241,332
	696,832	**613,966**

COMPANY

	2020 Shs'000	2019 Shs'000
At 1 January	506,882	477,207
Loans advanced	181,996	240,499
Interest charged	53,990	43,439
Loans repayments	(197,121)	(254,263)
Gross	**545,747**	**506,882**
Allowance for expected credit losses	(1,402)	(1,433)
At 31 December	**544,345**	**505,449**
Maturity profile of policy loans:		
Loans maturing:		
Within 1 year	85,636	95,844
1-5 years	268,781	229,203
Over 5 years	189,928	180,402
	544,345	**505,449**

23. DEFERRED ACQUISITION COSTS

GROUP

	2020 Shs'000	2019 Shs'000
At start of the year	43,368	41,439
Net increase	2,195	1,588
Exchange differences	3,721	341
At end of the year	**49,284**	**43,368**

24. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

	GROUP		COMPANY	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Reinsurers' share of:				
Notified outstanding claims	331,614	389,740	7,528	13,674
Reinsurence share of IBNR	38,645	50,959	-	-
	370,259	**440,699**	**7,528**	**13,674**

25. OTHER RECEIVABLES

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
GROUP				
Due from related companies (Note 39)	9,883	39,088	48,971	93,672
Staff advances	46,235	9,338	55,573	72,386
Trade debtors	-	142,439	142,439	70,304
Others	712,947	74,399	787,346	465,810
	769,065	**265,264**	**1,034,329**	**702,172**
COMPANY				
Due from related companies (Note 39)	225,140	40,947	266,087	221,511
Staff advances	40,301	485	40,786	124,999
Others	423,337	2,061	425,398	242,754
	688,778	**43,493**	**732,271**	**589,264**

The carrying value of other receivables above approximates their fair value

26. CORPORATE BONDS

GROUP AND COMPANY

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Corporate bonds maturing:				
- within one year	124,064	-	124,064	384,230
- 1 to 5 years	307,535	-	307,535	420,083
- After 5 years	-	-	-	-
- Allowance for expected credit losses	(1,209)	-	(1,209)	(3,473)
	430,390	**-**	**430,390**	**800,840**

26. CORPORATE BONDS (CONTINUED)

Held at FVTPL - Group and Company

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Corporate bonds maturing:				
- within one year	-	-	-	44,349
	-	**-**	**-**	**44,349**

27. GOVERNMENT SECURITIES

GROUP	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Held at amortised cost				
Treasury bills and bonds maturing:				
- within one year	2,460,991	154,655	2,615,646	3,841,461
- 1 to 5 years	16,147,665	418,836	16,566,501	15,778,307
- After 5 years	38,082,102	-	38,082,102	26,385,400
Gross	**56,690,758**	**573,491**	**57,264,249**	**46,005,168**
- Allowance for expected credit losses	(53,846)	-	(53,846)	(46,819)
	56,636,912	**573,491**	**57,210,403**	**45,958,349**
Held at FVTPL				
Treasury bills and bonds maturing:				
- within one year	-	-	-	626,586
- 1 to 5 years	3,807,378	270,365	4,077,743	4,332,540
- After 5 years	20,820,431	156,980	20,977,411	16,253,404
	24,627,809	**427,345**	**25,055,154**	**21,212,529**
COMPANY				
Held at amortised cost				
Treasury bills and bonds maturing:				
- within one year	1,706,050	-	1,706,050	2,972,300
- 1 to 5 years	14,207,864	-	14,207,864	14,253,064
- After 5 years	37,460,454	-	37,460,454	26,261,633
Gross	**53,374,368**	**-**	**53,374,368**	**43,486,997**
- Allowance for expected credit losses	(53,844)	-	(53,844)	(44,287)
	53,320,522	**-**	**53,320,522**	**43,442,710**

27. GOVERNMENT SECURITIES (CONTINUED)

COMPANY

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Held at FVTPL				
Treasury bills and bonds maturing:				
- within one year	-	-	-	626,586
- 1 to 5 years	3,807,378	212,056	4,019,434	4,300,850
- After 5 years	20,820,431	-	20,820,431	16,078,668
	24,627,809	**212,056**	**24,839,865**	**21,006,104**

Treasury bonds amounting to Shs 5,442,200,000 (2019: Shs 4,886,250,000) are held under lien with the Central Bank of Kenya.

28. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
GROUP				
Maturing within 90 days	379,390	659,816	1,039,206	2,034,175
Maturing after 90 days	2,494,449	362,531	2,856,980	4,631,095
	2,873,839	**1,022,347**	**3,896,186**	**6,665,270**
COMPANY				
Maturing within 90 days	48,422	55,216	103,638	1,484,491
Maturing after 90 days	2,494,449	362,531	2,856,980	4,371,438
	2,542,871	**417,747**	**2,960,618**	**5,855,929**

Weighted average effective rates – GROUP AND COMPANY

The following table summarises the weighted average effective interest rates at the year end on the principle interest bearing investments.

	2020	2019
Mortgage loans	15%	15%
Policy loans	16%	16%
Government securities	12%	12%
Corporate bonds	13%	13%
Deposits with financial institution	9.5%	8%

29. SHARE CAPITAL

GROUP AND COMPANY	Ordinary shares			
	Number of shares	Long term Shs'000	Short term Shs'000	Total Shs'000
Balance at 1 January 2019, 31 December 2019 and 31 December 2020	22,500,000	150,000	300,000	450,000

The total authorised number of ordinary shares is 22,500,000 with a par value of Shs 20 per share. All issued shares are fully paid.

30. UNEARNED PREMIUM

GROUP	2020 Shs'000	2019 Shs'000
At 1 January	136,725	134,581
Increase	12,808	1,049
Exchange adjustments	12,005	1,095
At 31 December	**161,538**	**136,725**

31. INSURANCE CONTRACT LIABILITIES

GROUP AND COMPANY	GROUP		COMPANY	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
(a) Long term insurance contracts				
- claims reported and claims handling expenses	290,662	222,520	166,016	147,252
- actuarial liabilities with respect to contracts in force	25,403,650	22,603,567	23,773,416	21,323,674
	25,694,312	**22,826,087**	**23,939,432**	**21,470,926**
(b) Short term non-life insurance contracts:				
- claims reported and claims handling expenses	391,885	450,786		-
- claims incurred but not reported	58,777	67,621		-
Total – short term	**450,662**	**518,407**		-
	26,144,974	**23,344,494**	**23,939,432**	**21,470,926**

Insurance contract liabilities comprises gross claims reported, claims handling expenses and actuarial liabilities with respect to all contracts in force for ordinary (including unit linked policies) and group life business.

Movements in insurance liabilities and reinsurance assets are shown in Note 32.

31. INSURANCE CONTRACT LIABILITIES (continued)

The table below illustrates how the group's short term estimates of total claims outstanding for each accident year has changed at successive year ends as at 31.12.2020.

Accident Year

	2016 Kshs'000	2017 Kshs'000	2018 Kshs'000	2019 Kshs'000	2020 Kshs'000	Total Kshs'000
Estimate of ultimate claims costs:						
At end of accident year	236,906	408,178	138,777	101,725	250,009	1,135,595
One year later	86,353	51,478	30,954	88,309	-	257,094
Two years later	27,750	43,756	30,000	-	-	101,506
Three years later	13,875	37,583	-	-	-	51,458
Four years later	-	-	-	-	-	-
Current estimate of cumulative claims	**364,884**	**540,995**	**199,731**	**190,034**	**250,009**	**1,545,653**
Less: cumulative payments to date	**(232,875)**	**(184,828)**	**(184,828)**	**(169,080)**	**(323,380)**	**(1,094,991)**
Liability recognized	**132,009**	**356,167**	**14,903**	**20,954**	**(73,371)**	**450,662**

The table below illustrates how the group's short term estimates of total claims outstanding for each accident year has changed at successive year ends as at 31.12.2019.

Accident Year

	2015 Kshs'000	2016 Kshs'000	2017 Kshs'000	2018 Kshs'000	2019 Kshs'000	Total Kshs'000
Estimate of ultimate claims costs:						
At end of accident year	40,339	219,066	412,194	239,171	244,980	1,155,750
One year later	20,358	79,850	47,601	28,623	-	176,432
Two years later	13,893	25,660	40,461	-	-	80,014
Three years later	5,826	12,830	-	-	-	18,656
Four years later	2,068	-	-	-	-	2,068
Current estimate of cumulative claims	**82,484**	**337,406**	**500,256**	**267,794**	**244,980**	**1,432,920**
Less: cumulative payments to date	**(52,643)**	**(215,339)**	**(319,272)**	**(170,911)**	**(156,348)**	**(914,513)**
Liability recognized	**29,841**	**122,067**	**180,984**	**96,883**	**88,632**	**518,407**

32. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Short term	Gross	Reinsurance	Net 2020	Gross	Reinsurance	Net 2019
At 1 January	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Notified claims	450,786	(339,727)	111,059	380,152	(245,169)	134,983
IBNR	67,621	(50,959)	16,662	57,022	(36,775)	20,246
At 1 January	**518,407**	**(390,686)**	**127,721**	**437,174**	**(281,944)**	**155,229**
Claims incurred in current year	223,183	(109,016)	114,167	376,198	(295,940)	80,258
Payment for claims	(328,254)	230,134	(98,120)	(297,582)	189,824	(107,758)
Exchange difference	37,326	(26,686)	10,640	2,617	(2,625)	(8)
At 31 December	**450,662**	**(296,254)**	**154,408**	**518,407**	**(390,686)**	**127,721**
Notified claims	391,885	(257,609)	134,276	450,786	(339,727)	111,059
IBNR	58,777	(38,645)	20,132	67,621	(50,959)	16,662
At 31 December	**450,662**	**(296,254)**	**154,408**	**518,407**	**(390,686)**	**127,721**
Long term						
At 1 January	22,826,087	-	22,826,087	21,616,278	-	21,616,278
Actuarial liabilities movement for current year	2,868,225	(74,005)	2,794,220	1,209,809	(50,013)	1,159,796
	25,694,312	**(74,005)**	**25,620,307**	**22,826,087**	**(50,013)**	**22,776,074**
Total	**26,144,974**	**(370,259)**	**25,774,715**	**23,344,494**	**(440,699)**	**22,903,795**

33. (A) AMOUNTS PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

Deposit administration contract liabilities are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 8% for the year (2019: 10.25%).

	2020	2019
GROUP	Shs'000	Shs'000
At 1 January	57,284,548	48,764,306
Deposit administration contributions received	10,818,453	9,004,938
Surrenders	(8,215,418)	(5,438,961)
Interest payable to policyholders	4,714,496	5,164,035
Tax on unregistered schemes	(275,396)	(211,544)
Adjustment in actuarial liabilities	(9,041)	(6,629)
Exchange adjustments	122,051	8,403
At 31 December	**64,439,693**	**57,284,548**

33. (A) AMOUNTS PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS (CONTINUED)

COMPANY	2020 Shs'000	2019 Shs'000
At 1 January	56,111,116	47,812,662
Deposit administration contributions received	9,967,190	8,660,745
Surrenders	(7,775,420)	(5,223,173)
Interest payable to policyholders	4,576,222	5,076,535
Tax on unregistered schemes	(275,397)	(215,653)
At 31 December	**62,603,711**	**56,111,116**

33. (B) AMOUNTS PAYABLE UNDER UNIT LINKED POLICIES

GROUP AND COMPANY	2020 Shs'000	2019 Shs'000
At 1 January	287,589	307,348
Premiums received	17,990	28,279
Adjustment in actuarial liabilities	(97,367)	(48,038)
	208,208	**287,589**

34. OTHER PAYABLES

GROUP	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Amounts due to related companies (Note 39)	15,493	19,253	34,746	41,361
Withholding tax payable	53,117	-	53,117	53,790
Accrued expenses	352,636	103,790	456,426	303,162
Statutory deductions payable	12,507	-	12,507	12,498
Rent deposits	43,779	-	43,779	39,809
Other liabilities	539,835	409,070	948,905	464,665
	1,017,367	**532,113**	**1,549,480**	**915,285**

Other liabilities consists of rental creditors, KPRL AGM expenses amongst others

34. OTHER PAYABLES (CONTINUED)

COMPANY

	Long term business 2020 Shs'000	Short term business 2020 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Amounts due to related companies (Note 39)	47,175	88,396	135,571	131,617
Accrued expenses	326,794	-	326,794	303,162
Rent deposits	43,779	-	43,779	39,809
Other liabilities	359,248	59,057	418,305	181,368
	776,996	**147,453**	**924,449**	**655,956**

The carrying value of other payables above approximates their fair value.

35. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2019: 30%). Deferred tax assets and liabilities are attributable to the following items:

GROUP

Year ended 31 December 2020	At 1 Jan 2020 Shs'000	Prior Year Adjustment Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2020 Shs'000
Deferred income tax asset				
Property and equipment on historical cost basis	(68,302)	-	21,104	(47,198)
Unrealised exchange gains	(20,106)	-	-	(20,106)
Prior year adjustment	-	164	-	164
Provision for liabilities and charges	(20,890)	-	(284)	(21,174)
Tax losses carried forward	(14,252)	-	-	(14,252)
	(123,550)	**164**	**20,820**	**(102,566)**
Deferred income tax liability				
Property and equipment:				
- on historical cost basis	302	-	8,908	9,210
- on revaluation surplus	(496)	-	-	(496)
Fair value gains on investment property	255,535	-	(540)	254,995
Actuarial reserve	1,946,472	-	(246,662)	1,699,810
	2,201,813	**-**	**(238,294)**	**1,963,519**
Net deferred tax liability	**2,078,263**	**164**	**(217,474)**	**1,860,953**

35. DEFERRED INCOME TAX (CONTINUED)

GROUP

Year ended 31 December 2019	At 1 Jan 2019 Shs'000	IFRS 16 Day 1 Adjustment Shs'000	Prior Year Adjustment Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2019 Shs'000
Deferred income tax asset					
Property and equipment on historical cost basis	(533)	(56,605)	(1,765)	(9,399)	(68,302)
Unrealised exchange gains	(20,106)	-	-	-	(20,106)
Provision for liabilities and charges	(21,164)	-	-	274	(20,890)
Tax losses carried forward	(14,252)	-	-	-	(14,252)
	(56,055)	**(56,605)**	**(1,765)**	**(9,125)**	**(123,550)**
Deferred income tax liability					
Property and equipment:					
- on historical cost basis	302	-	-	-	302
- on revaluation surplus	(496)	-	-	-	(496)
Fair value gains on investment property	255,445	-	-	90	255,535
Actuarial reserve	881,224	-	-	1,065,248	1,946,472
	1,136,475	**-**	**-**	**1,065,338**	**2,201,813**
Net deferred tax liability	**1,080,419**	**(56,605)**	**(1,765)**	**1,056,213**	**2,078,263**

COMPANY

Year ended 31st December 2020	At 1 Jan 2020 Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2020 Shs'000
Deferred income tax asset			
Provision for liabilities and charges	(103,694)	6,403	97,291
	(103,694)	**6,403**	**97,291**
Deferred income tax liability			
Fair value gains on investment property	255,342	(541)	254,801
Actuarial surplus	1,946,471	(246,660)	1,699,811
	2,201,813	**(247,201)**	**1,954,612**
Net deferred tax liability	**2,098,119**	**(240,798)**	**1,857,321**

35. DEFERRED INCOME TAX (CONTINUED)

COMPANY

Year ended 31st December 2019	At 1 Jan 2019 Shs'000	IFRS 16 Day 1 Adjustment Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2019 Shs'000
Deferred income tax asset				
Provision for liabilities and charges	(50,982)	(52,712)	-	(103,694)
	(50,982)	**(52,712)**	**-**	**(103,694)**
Deferred income tax liability				
Fair value gains on investment property	255,252	-	90	255,342
Actuarial surplus	881,223	-	1,065,249	1,946,473
	1,136,475	**-**	**1,065,339**	**2,201,815**
Net deferred tax liability	**1,085,493**	**(52,712)**	**1,065,339**	**2,098,119**

36. CASH GENERATED FROM OPERATIONS

a) Reconciliation of profit before taxation to cash generated from operations

		GROUP		COMPANY	
		2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Profit before tax		2,203,713	4,604,201	1,517,396	4,225,292
Adjustments for:					
Depreciation and amortisation	14 & 15	257,227	182,598	110,828	107,948
IFRS 9 & 16 allowance	2	39,412	(183,135)	9,242	(175,707)
Share of associate profits	19	(91,265)	(151,205)	-	-
Loss /(gains) on sale of shares	6	3,830	(64,368)	3,830	(64,368)
Fair value loss /(gains) on investment properties	17	173,851	(210,256)	173,851	(210,256)
Fair value gains on treasury bonds	6	(202,322)	(272,316)	(201,580)	(269,964)
Fair value loss /(gains) of quoted shares	18	1,338,879	(1,269,567)	1,331,320	(1,272,711)
Fair value loss /(gains) on unit trusts	6	70,339	(4,704)	70,747	(16,491)
Dividend income	6	(356,376)	(458,578)	(399,343)	(452,676)
Rental income	6	(504,094)	(558,114)	(506,090)	(559,559)
Interest income	6	(9,655,081)	(8,292,079)	(9,082,638)	(7,944,487)
Changes in working capital:					
Trade and other receivables		(285,579)	(361,182)	(136,355)	(279,071)
Technical provisions		9,816,696	10,622,011	8,801,606	9,833,683
Trade and other payables		703,859	194,465	343,270	67,754
Cash generated from operations		**3,513,089**	**3,777,771**	**2,036,084**	**2,989,387**

36. CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Cash and cash equivalents

	GROUP		COMPANY	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Cash and bank balances	190,210	151,865	90,823	17,144
Deposits with financial institutions (Note 28)	1,039,206	2,034,175	103,638	1,484,491
	1,229,416	**2,186,040**	**194,461**	**1,501,635**

37. CAPITAL COMMITMENTS

Capital expenditure not contracted for at the end of the reporting period date was as follows:

	GROUP		COMPANY	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Property and equipment	19,135	10,075	19,135	10,075

38. LEASE LIABILITY

	GROUP		COMPANY	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
At 1 January	951,471	-	602,553	-
Day one adjustment on adoption of IFRS 16	-	1,009,130	-	622,118
Derecognition of lease liabilities	(74,004)	-	(36,339)	-
Additions during the year	70,477	1,943	8,959	3,107
Interest charge for the year (Note 9(b))	101,583	115,037	66,214	78,255
Repayment during the year	(174,916)	(176,514)	(100,184)	(100,927)
Exchange difference	17,710	1,875	-	-
At 31 December	**892,321**	**951,471**	**541,203**	**602,553**

Maturity analysis of operating lease payments:

	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Year 1	192,280	51,751	124,760	32,705
Year 2	125,163	73,195	70,343	46,257
Year 3	193,981	95,821	72,422	60,556
Year 4	140,211	113,443	77,302	71,693
Year 5 and onwards	242,686	617,261	196,376	391,341
	892,321	**951,471**	**541,203**	**602,552**

39. RELATED PARTY BALANCES AND TRANSACTIONS

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The ultimate holding company is Asset Managers Limited, which is incorporated in Kenya. In the normal course of business, the Group transacts with the following related entities.

- ICEA LION Asset Management Limited – 100% subsidiary
- ICEA LION Trust Company Limited – 100% subsidiary
- ICEA General Insurance Company Limited – 100% subsidiary
- ICEA Life Assurance Company Limited – 100% subsidiary
- ICEA Asset Management Limited – 100% subsidiary
- ICEA LION General Insurance Company Limited - common ownership
- Knight Frank Kenya Limited - common ownership
- First Chartered Securities Limited - common ownership
- East Africa Reinsurance Company Limited - Associate

	2020 Shs'000	2019 Shs'000
i) Transactions with related parties		
Management fees - ICEA LION Asset Management Limited	103,230	92,899
ICEA LION Trust Company Limited	40,975	39,383
Deposits held with other related institutions	684,081	344,358
Reinsurance Premiums - East Africa Re	152,465	118,330
ii) Outstanding balances with related parties		
Due to related parties		
GROUP		
First Chartered Securities Limited	8,827	12,893
ICEA LION General Insurance Company Limited	25,919	28,468
	34,746	**41,361**
COMPANY		
Riverside Park Limited	31,682	31,682
ICEA General Insurance Co. Limited	33,081	33,081
ICEA LION General Insurance Co. Limited	15,494	19,088
ICEA LION Asset Management Limited	42,027	30,413
First Chartered Securities Limited	8,827	12,893
ICEA LIFE Assurance Co. (U) Ltd	3,078	3,078
Knight Frank Kenya Limited	1,374	1,374
ICEA LION Trust Company Limited	8	8
	135,571	**131,617**

39. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

	2020 Shs'000	2019 Shs'000
Due from related parties		
GROUP		
ICEA LION General Insurance Company Limited	35,605	36,240
First Chartered Securities Limited	10,941	55,211
Knight Frank Kenya Limited	2,425	2,221
	48,971	**93,672**
COMPANY		
ICEA LION General Insurance Company Limited	39,088	39,455
ICEA General Insurance Company Limited	101,661	91,251
ICEA Life Assurance Company Limited	43,308	34,699
ICEA LION Asset Management Limited	60,680	34,974
First Chartered Securities Limited	10,941	11,370
ICEA LION Trust Company Limited	823	381
Riverside Park Limited	3	3
Knight Frank Kenya Limited	2,426	2,221
ICEA Asset Management Limited	7,157	7,157
	266,087	**221,511**

iii) Key management and directors' remuneration

GROUP		
Directors' emoluments – fees	5,289	6,454
Key management remuneration	364,783	335,047
	370,072	**341,501**
COMPANY		
Directors' emoluments – fees	3,180	3,327
Key management remuneration	182,300	227,463
	185,480	**230,790**

ICEA LION LIFE ASSURANCE

SUPPLEMENTARY INFORMATION

APPENDIX I

GROUP LONG TERM BUSINESS REVENUE ACCOUNT

	Other Superannuation Shs'000	Ordinary Life Fund Shs'000	Deposit Administration Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Net premiums written					
Gross premiums written	2,014,620	3,635,400	-	5,650,020	5,102,279
Reassurance premium	(409,865)	(58,301)	-	(468,166)	(374,461)
Net earned premiums	**1,604,755**	**3,577,099**	**-**	**5,181,854**	**4,727,818**
Exchange fluctuation	43	231	262	536	(1,074)
Investment income	1,808,025	1,076,838	6,235,368	9,120,231	10,990,614
Commissions earned	77,759	6,650	-	84,409	84,147
Total investment and other income	**1,885,827**	**1,083,719**	**6,235,630**	**9,205,176**	**11,073,687**
Claims paid; life and death	186,495	53,855	-	240,350	194,531
Surrenders	1,232,513	1,621,539	-	2,854,052	2,740,716
Interest payable to policyholders	-	16,189	4,714,496	4,730,685	5,190,027
Increase in actuarial liabilities	966,927	1,588,425	(9,041)	2,546,311	1,123,779
Total claims	**2,385,935**	**3,280,008**	**4,705,455**	**10,371,398**	**9,249,053**
Premium tax	8,499	41,601	-	50,100	40,339
Commissions payable	93,360	766,429	148,688	1,008,477	876,797
Operating expenses	199,151	787,166	384,605	1,370,922	1,519,093
	301,010	**1,595,196**	**533,293**	**2,429,499**	**2,436,229**
Increase in funds during the year	**803,637**	**(214,386)**	**996,882**	**1,586,133**	**4,116,223**
Income tax expense	(192,269)	234,406	(31,228)	10,909	(1,302,417)
Increase in funds after tax	**611,368**	**20,020**	**965,654**	**1,597,042**	**2,813,806**

APPENDIX II

COMPANY LONG TERM BUSINESS REVENUE ACCOUNT

	Other Superannuation Shs'000	Ordinary Life Fund Shs'000	Deposit Administration Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Gross earned premiums	1,793,363	3,041,711	-	4,835,074	4,351,877
Less: reassurance premiums ceded	(310,675)	(50,685)	-	(361,360)	(283,581)
Net earned premiums	**1,482,688**	**2,991,026**	**-**	**4,473,714**	**4,068,296**
Investment income	1,744,476	880,939	5,969,260	8,594,675	10,622,102
Commissions earned	139,327	20,297	-	159,624	136,662
Total investment and other income	**1,883,803**	**901,236**	**5,969,260**	**8,754,299**	**10,758,764**
Claims paid; life and death	126,455	48,736	-	175,191	149,382
Surrenders/annuities	1,230,497	1,472,296	-	2,702,793	2,577,130
Interest payable to policyholders	-	-	4,576,222	4,576,222	5,076,535
Adjustment in actuarial liabilities	937,883	1,414,488	-	2,352,371	888,456
Total claims	**2,294,835**	**2,935,520**	**4,576,222**	**9,806,577**	**8,691,503**
Premium tax	5,180	32,696	-	37,876	29,083
Commissions payable	58,133	659,119	139,981	857,233	744,240
Operating expenses	154,611	637,936	369,333	1,161,880	1,267,185
Total expenses	**217,924**	**1,329,751**	**509,314**	**2,056,989**	**2,040,508**
Increase/(Decrease) in funds during the year	**853,732**	**(373,009)**	**883,724**	**1,364,447**	**4,095,051**
Income tax expense	(185,637)	269,788	2,357	86,508	(1,116,241)
Increase in funds after tax	**668,095**	**(103,221)**	**886,081**	**1,450,955**	**2,861,802**

APPENDIX III

GENERAL BUSINESS CONSOLIDATED REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Fire industrial Shs'000	Fire domestic Shs'000	Personal accident Shs'000	Medical Shs'000	Workmen's compensation Shs'000	Marine Shs'000	Engineering Shs'000	Public liability Shs'000	Theft Shs'000	Miscellaneous Shs'000	Motor private Shs'000	Motor commercial Shs'000	2020 Total Shs'000
Gross Premium written	104,874	1,550	104,853	110,567	20,151	25,332	43,117	36,401	59,880	9,878	116,177	123,033	755,813
Changes in gross UPR	(1,237)	(4)	(1,715)	(737)	1,565	(174)	692	376	(78)	11	(10,662)	(845)	(12,808)
Gross earned premiums	103,637	1,546	103,138	109,830	21,716	25,158	43,809	36,777	59,802	9,889	105,515	122,188	743,005
Less: Reinsurance payable	(77,015)	(466)	(74,589)	(77,465)	(9,441)	(17,249)	(37,641)	(31,835)	(35,234)	(9,393)	(11,550)	(28,370)	(410,248)
Net earned premium	**26,622**	**1,080**	**28,549**	**32,365**	**12,275**	**7,909**	**6,168**	**4,942**	**24,568**	**496**	**93,965**	**93,818**	**332,757**
Claims paid	39,039	488	53,719	82,116	9,333	3,617	73,966	1,752	5,134	23	37,034	22,033	328,254
Changes in gross outstanding claims	(237)	73	(4,823)	(697)	(1,238)	(258)	792	(5,283)	(1,311)	(557)	121	(2,629)	(16,047)
Claims recoverable	(35,384)	-	(47,891)	(63,749)	(3,941)	(3,385)	(68,949)	(2,224)	-	(18)	(3,998)	(594)	(230,133)
Total claims incurred	**3,892**	**415**	**10,651**	**19,064**	**6,630**	**490**	**4,225**	**4,811**	**6,445**	**562**	**32,915**	**24,067**	**114,168**
Commissions payable	24,266	318	22,683	12,182	4,740	5,119	10,235	5,457	8,441	1,912	13,703	15,231	124,287
Commissions receivable	(20,385)	(58)	(22,239)	(22,546)	(2,968)	(5,506)	(12,071)	(8,503)	(10,107)	(2,766)	(2,470)	(6,375)	(115,994)
Operating expenses	28,231	417	28,226	29,764	5,424	6,819	11,607	9,799	16,119	2,659	31,274	33,121	203,460
Total expenses	**32,112**	**677**	**28,670**	**19,400**	**7,196**	**6,432**	**9,771**	**6,753**	**14,453**	**1,805**	**42,507**	**41,977**	**211,753**
Underwriting profit/(loss)	**(9,382)**	**(12)**	**(10,772)**	**(6,099)**	**(1,551)**	**987**	**(7,828)**	**(6,622)**	**3,670**	**(1,871)**	**18,543**	**27,773**	**6,836**

APPENDIX III

GENERAL BUSINESS CONSOLIDATED REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Fire industrial Shs'000	Fire domestic Shs'000	Personal accident Shs'000	Medical Shs'000	Workmen's compensation Shs'000	Marine Shs'000	Engineering Shs'000	Public liability Shs'000	Theft Shs'000	Miscellaneous Shs'000	Motor private Shs'000	Motor commercial Shs'000	2019 Total Shs'000
Gross Premium written	147,941	1,546	76,933	104,535	24,946	30,096	45,238	34,649	44,825	9,840	60,660	81,513	662,722
Changes in gross UPR	(720)	196	4,768	(2,990)	10,166	(1,024)	171	(241)	1,675	(166)	(3,703)	(9,181)	(1,049)
Gross earned premiums	147,221	1,742	81,701	101,545	35,112	29,072	45,409	34,408	46,500	9,674	56,957	72,332	661,673
Less: Reinsurance payable	(75,830)	(278)	(61,782)	(72,652)	(11,672)	(22,231)	(32,893)	(29,023)	(23,293)	(8,519)	(3,685)	(9,362)	(351,220)
Net earned premium	**71,391**	**1,464**	**19,919**	**28,893**	**23,440**	**6,841**	**12,516**	**5,385**	**23,207**	**1,155**	**53,272**	**62,970**	**310,453**
Claims paid	23,100	492	89,598	65,300	5,477	3,621	32,754	5,431	13,419	425	27,956	30,007	297,580
Changes in gross outstanding claims	(807)	(59)	(4,657)	3,181	843	(856)	(1,159)	(1,573)	(6,954)	1,165	(9,071)	(7,520)	(27,467)
Claims recoverable	(16,228)	-	(77,218)	(57,717)	(412)	(1,531)	(29,826)	(2,912)	(77)	(410)	(741)	(2,752)	(189,824)
Total claims incurred	**6,065**	**433**	**7,723**	**10,764**	**5,908**	**1,234**	**1,769**	**946**	**6,388**	**1,180**	**18,144**	**19,735**	**80,289**
Commissions payable	29,951	288	16,159	11,584	5,239	5,551	9,500	5,782	7,750	1,721	7,582	11,382	112,489
Commissions receivable	(26,326)	(80)	(18,419)	(11,445)	(3,073)	(5,961)	(11,003)	(9,332)	(6,091)	(2,275)	(171)	(1,146)	(95,322)
Operating expenses	44,179	462	22,974	31,217	7,449	8,987	13,509	10,347	13,386	2,938	18,115	24,342	197,905
Total expenses	**47,804**	**670**	**20,714**	**31,356**	**9,615**	**8,577**	**12,006**	**6,797**	**15,045**	**2,384**	**25,526**	**34,578**	**215,072**
Underwriting profit/(loss)	**17,522**	**361**	**(8,518)**	**(13,227)**	**7,917**	**(2,970)**	**(1,259)**	**(2,358)**	**1,774**	**(2,409)**	**9,602**	**8,657**	**15,092**

ICEA LION
LIFE ASSURANCE

APPENDICES
06

CORPORATE INFORMATION

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G Kuria Chief Executive Officer

ICEA Life Assurance Company Limited
E Mwaka Chief Executive Officer

ICEA LION Asset Management Limited
E N Kihanda Chief Executive Officer

ITSL Trust Company Limited
P Wachira Head of Business

SECRETARY
Kennedy M Ontiti
Certified Public Secretary (Kenya)
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Nairobi, Kenya

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

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

No.	Project	Description	Category	Group Cost	Life Assurance	General Insurance
2013						
1	Kenya Paraplegic Organization	Bring Zack Back Campaign	Health	200,000.00	100,000.00	100,000.00
2	Kenya Paraplegic Organization	Charity Golf Tournament	Health	200,000.00	100,000.00	100,000.00
3	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	200,000.00	100,000.00	100,000.00
4	The Association of Kenya Insurers	Annual Medical Camp	Health	50,000.00	25,000.00	25,000.00
5	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	100,000.00	50,000.00	50,000.00
6	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	200,000.00	-	200,000.00
7	Rhino Ark Charitable Trust	Support of Rhino Charge Team	Environment	100,000.00	50,000.00	50,000.00
8	Kahawa Garisson	High School Project	Education	300,000.00	150,000.00	150,000.00
9	August 7 Memorial Trust	In Support of the Needy	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
10	SOS Children's Villages	In Support of the Needy Children	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
11	Lions Club of Kenya	Charity Golf Tournament	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
12	Faraja Cancer Support Trust	Faraja Cancer Centre Development	Health	2,000,000.00	1,000,000.00	1,000,000.00
13	KCB Safari Rally	Official Event Insurer June 2013 - June 2014	Brand Equity - Sports	1,000,000.00	-	1,000,000.00
Total Support Amount				4,800,000.00	1,800,000.00	3,000,000.00
2014						
1	Alexis Foundation	Charity Golf Tournament	Education	75,000.00	37,500.00	37,500.00
2	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	500,000.00	250,000.00	250,000.00
3	Heart to Heart Foundation	Heart Run (Karen Hospital)	Health	50,000.00	25,000.00	25,000.00
4	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
5	Faraja Cancer Support Trust	Purchase of Branded Tee Shirts	Health	200,000.00	100,000.00	100,000.00
6	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
7	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	100,000.00	50,000.00	50,000.00
8	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
9	The Association of Kenya Insurers	Annual Medical Camp - Kamangu Primary - Kiambu	Health	50,000.00	25,000.00	25,000.00
10	Drumbeat Ltd - Amazing Maasai Marathon	Supporting Girl Child Secondary Education in Maasailand - Official Event Insurer	Education	130,000.00	65,000.00	65,000.00
11	The Kenya Red Cross	Annual Gala Dinner for the Disaster Kitty	Special Projects - Disaster Preparedness	300,000.00	-	300,000.00
12	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
Total Support Amount				1,835,299.00	767,649.50	1,067,649.50

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

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2015						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	-	50,000.00
2	Special Olympics Kenya	3 Air Tickets for Special Olympics Swim Team	Special Projects - Sports	500,000.00	250,000.00	250,000.00
3	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	-	300,000.00
5	The Association of Kenya Insurers	Annual Medical Camp - Ngurubaini Primary School - Mwea	Health	70,000.00	35,000.00	35,000.00
6	Consolata Youth Rehabilitation Programme	COYREP & ICEA LION Visit To Clean Up Deep Sea Slum	Brand Equity - Environment	100,000.00	50,000.00	50,000.00
7	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
8	Wema Centre Trust	Annual Fund Raising Dinner	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
9	Help Baby Ivannah	Medical Bill Support For The Late Baby Ivannah	Special Projects - Support of Needy	30,000.00	15,000.00	15,000.00
10	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
11	KCB Safari Rally	Official Event Insurer Jun 2014 - Dec 2015	Brand Equity - Sports	3,000,000.00	-	3,000,000.00
Total Support Amount				4,690,254.00	670,127.00	4,020,127.00

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2016						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
2	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	150,000.00	150,000.00
5	Association of Kenya Insurers	Joint Insurers Pensions Awareness Campaign	Special Projects - Financial Literacy	1,000,000.00	500,000.00	500,000.00
6	Jockey Club of Kenya - Horse Derby	111th Kenya Derby Prize Money For Riders	Brand Equity - Sports	1,000,000.00	500,000.00	500,000.00
7	Jockey Club of Kenya - Horse Derby	Social Media Boosting to Advertise Event	Brand Equity - Sports	17,492.80	8,746.40	8,746.40
8	Duke of Edinburgh's Presidential Award Scheme	Feeding Youth During Mt. Kenya Climb	Education	500,000.00	250,000.00	250,000.00
9	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
10	East African & Kenya Motor Sports Club	FIM MotoCross Of African Nations 2016	Brand Equity - Sports	500,000.00	250,000.00	250,000.00
11	East African Motor Sports Club	Refurbishing 16 Spectator Stands & Constructing 14 new ones	Brand Equity - Sports	1,397,000.00	698,500.00	698,500.00
12	The Association of Kenya Insurers	Annual Medical Camp - Karagita - Naivasha	Health	85,000.00	42,500.00	42,500.00
13	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
Total Support Amount				5,199,791.80	2,599,895.90	2,599,895.90

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2017						
1	The Association of Kenya Insurers	Annual Medical Camp - Gatanga - Thika	Health	85,000.00	42,500.00	42,500.00
2	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	500,000.00	300,000.00	200,000.00
Total Support Amount				645,045.00	372,522.50	272,522.50

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2018						
1	The Association of Kenya Insurers	Annual Medical Camp - Matuu - Machakos	Health	90,000.00	45,000.00	45,000.00
2	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	500,000.00	200,000.00
Total Support Amount				790,000.00	545,000.00	245,000.00

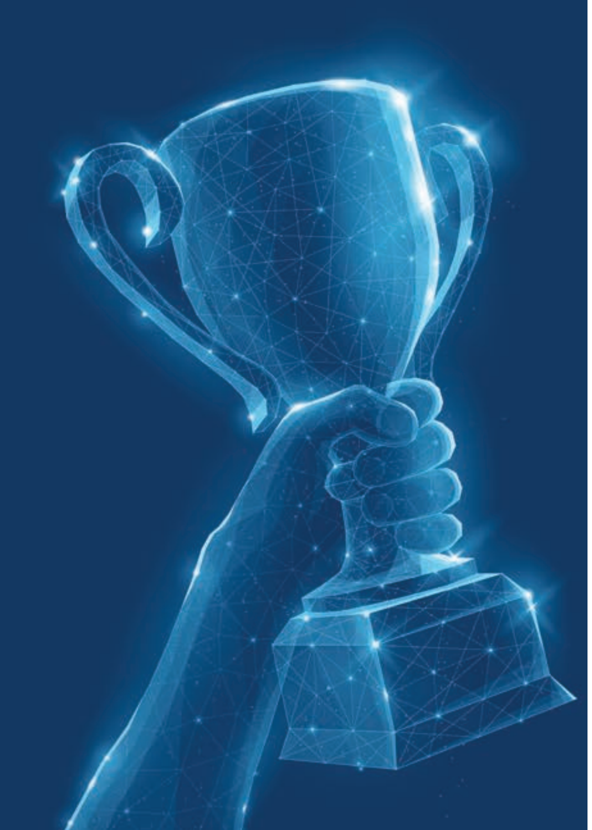
2019						
1	The Association of Kenya Insurers	Annual Medical Camp - Isinya	Health	90,000.00	45,000.00	45,000.00
2	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	0	700,000.00
Total Support Amount				790,000.00	45,000.00	745,000.00
2020						
1	Lewa Wildlife Conservancy	Virtual Lewa Marathon	Brand Equity - Environment	100,000.00	50,000.00	50,000.00
2	National Emergency Response Committee	COVID-19 Pandemic Support	Health & Special Projects	10,000,000.00	5,000,000.00	5,000,000.00
Total Support Amount				10,100,000.00	5,050,000.00	5,050,000.00
TOTAL CORPORATE SOCIAL RESPONSIBILITY SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2020				28,855,389.80	11,852,694 .90	17,002,694.90

ICEA LION GROUP CORPORATE SOCIAL INVESTMENT SUPPORT - OCTOBER 2016 - DECEMBER 2020

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2016 - 2017						
1	Ewaso Lions - Lion Conservation Project	Warrior Watch & Lion Monitoring Equipment	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	862,554.00	431,277.00	431,277.00
2		Production of the Lion Conservation Video		3,838,634.00	1,919,317.00	1,919,317.00
3		Promoting the Lion Conservation Video & Initiative on Social Media (Facebook, Instagram & YouTube)		600,000.00	300,000.00	300,000.00
4	Kenya Wildlife Service (KWS) National Lion Census	KWS Methodology & Standardization Workshop Sponsorship		462,000.00	231,000.00	231,000.00
5		National Lion Census - Phase I - Lake Nakuru National Park		821,167.00	410,583.50	410,583.50
Total Support Amount				6,584,355.00	3,292,177.50	3,292,177.50
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2018						
1	Lewa Wildlife Conservancy	ICEA LION Staff Immersion & Sensitization Videography & Photography	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	194,880.00	97,440.00	97,440.00
2		Conservation Education Programme - 15 Schools, 690 Students, 60 Teachers from Northern Kenya for 2 Days		3,515,000.00	3,987,000.00	3,987,000.00
3		Conservation Education Programme - ICEA LION Staff immersion		200,000	100,000	100,000
4		Lion Predator Monitoring Programme		472,000.00	236,000.00	236,000.00
Total Support Amount				4,381,880.00	2,190,940.00	2,190,940.00
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2019						
1	Kenya Wildlife Service (KWS) National Lion Census	National Lion Census - Census Equipment for 5 Regions	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	1,701,925.00	850,962.50	850,962.50
2	Lewa Wildlife Conservancy	ICEA LION Staff Immersion & Sensitization Videography & Photography		194,880.00	97,440.00	97,440.00
3		Conservation Education Programme - ICEA LION Staff immersion with Bardassa Secondary School		200,000.00	100,000.00	100,000.00
4		Lion Predator Monitoring Programme		472,000.00	236,000.00	236,000.00
Total Support Amount				2,568,805.00	1,284,492.50	1,284,492.50
No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2020						
1	Lewa Wildlife Conservancy	Fund Raising Gala Dinner: Chief Guest : Eliud Kipchoge	Brand Equity - Environment	600,000.00	300,000.00	300,000.00
2	Organization of East & Southern African Insurers (OESAI)	Sponsored OESAI Sustainability Conference	Brand Equity - Environment	600,000.00	300,000.00	300,000.00
Total Support Amount				1,200,000.00	600,000.00	600,000.00
TOTAL CORPORATE SOCIAL INVESTMENT SUPPORT AMOUNT FROM OCTOBER 2016 - DECEMBER 2020				14,735,040.00	7,367,520.00	7,367,520.00
TOTAL CORPORATE SOCIAL RESPONSIBILITY & INVESTMENT SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2020				43,590,429.80	19,220,214.90	24,370,370.90

These costs exclude the launch event activities & related logistical costs

AWARDS & ACCOLADES 2012 - 2020 & GCR RATING



THINK BUSINESS AWARDS

WINNER

General Insurer of the Year - 2017, 2014
Lifetime Achievement Award: CEO: Steven Oluoch - 2018
Best Insurer in Product Distribution & Marketing - 2017
Corporate Risk Manager of the Year: Dorothy Maseke - 2018, 2017
Training - 2016
Customer Satisfaction - 2016
Customer Service - 2018, 2017
Claims Settlement - 2018, 2015
Risk Management - 2015
Best Insurer in Sustainable CSR - 2018
Major Loss Award - 2012
Best Company in Technology & Digital Applications - 2018

1ST RUNNERS UP

Best Insurer in Sustainable CSR - 2017
Customer Service - 2016, 2014
Risk Management Award - 2017, 2014
Marketing Initiative of the Year - 2012
Most Innovative Insurance Company - 2018
Best Insurance Company in Product Distribution & Marketing - 2018
Training - 2015,
Fraud Detection & Prevention - 2018, 2016, 2015

2ND RUNNERS UP

General Insurer of the Year - 2018, 2016, 2015
Training - 2018, 2014
Fraud Detection & Prevention - 2017, 2014
Claims Settlement - 2016

ICPSK CHAMPIONS OF GOVERNANCE AWARDS

WINNER

Insurance Sector: 2018, 2017
Company Secretary of the Year: Kennedy Ontiti - 2016, 2015

1ST RUNNERS UP

Insurance Sector: 2016, 2015
Company Secretary of the Year: Kennedy Ontiti - 2018

2ND RUNNERS UP

Overall Champions of Governance Award - 2018
CEO of the Year: Steven Oluoch - 2016
Insurance Sector: 2016
Company Secretary of the Year: Kennedy Ontiti - 2017

EAST AFRICAN MARITIME AWARDS

WINNER

Marine Cargo Insurer - 2018

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (ICPAK) FINANCIAL REPORTING (FiRe) AWARDS

1ST RUNNERS UP

Insurance Category - 2019

2ND RUNNERS UP

Insurance Category - 2018

KENYA INSTITUTE OF MANAGEMENT (KIM) COMPANY OF THE YEAR AWARDS (COYA) 2017

WINNER

CEO of the Year: Steven Oluoch - 2017
Financial Management Determinant - 2017

DELOITTE'S BEST COMPANY TO WORK FOR AWARDS

WINNER

Insurance Sector - 2014, 2015

1ST RUNNERS UP

Overall: Mid-Size Companies (under 500 employees) - 2016

THE 2018 ASSOCIATION OF PRACTITIONERS IN ADVERTISING (APA) LOERIES AWARDS

WINNER
Overall: Grand Prix Award - #BackYourFuture Campaign
Gold Award: Integrated Campaign - #BackYourFuture Campaign
Silver Award: Integrated Campaign - Travel Insurance Campaign

INSTITUTE OF CUSTOMER SERVICE – ICS KENYA AWARDS

WINNER
Insurance Sector - 2014

INSURANCE INSTITUTE OF KENYA (IIK) ANNUAL QUIZ

WINNER 2017

INTERNATIONAL SAFETY TRAINING CENTRE AWARD

WINNER
International Workplace Safety Award - 2019

ASSOCIATION OF KENYA INSURERS (AKI) SPORTS DAY

WINNER
Indoor Games - 2019, 2018
Swimming - 2019

1ST RUNNERS UP
Overall Champions - 2019 , 2018, 2016
Track & Field Games Champions - 2019, 2018
Auxiliary Games, Indoor Games,Volleyball and Athletics Games Champions - 2016

AFRICAN CRISTAL MEDIA & ADVERTISING AWARDS - MOROCCO

2ND RUNNERS UP
Digital Insurance Category - 2019

AWARDS & ACCOLADES 2012 - 2020 & GCR RATING

GCR RATINGS

Public credit rating report | Kenya Insurance | November 2020

ICEA LION Life Assurance Company Limited

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook/Watch
ICEA LION Life Assurance Company Limited	Financial strength	National	AA(KE)	Stable Outlook

REPORTING GUIDANCE INDEX

BASED ON INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC) FRAMEWORK

Zipporah Chege
Chief Finance Officer
ICEA LION General Insurance

Dorothy Maseke
Group Manager
Risk & Compliance
ICEA LION Group

Nkatha Gitonga
Group Manager
Marketing & Communications
ICEA LION Group

Kevin Nyakeri
Chief Financial Officer
ICEA LION Life Assurance

ICEA LION'S INTEGRATED LAB

Meet our team that spearheaded and continues to champion Integrated Thinking and delivered the 2020 Integrated Report that was developed and designed in-house.

Special thanks to our in-house designer Mwangi Kariuki for his creative and tireless efforts.

Margaret Ndungu

We appreciate these dedicated five from our finance and actuarial teams who worked diligently to deliver on Section 6 - 2020 Audited Financial Statements - of our Integrated Report

Simon Ndungu   Robert Kanyi   Julius Irungu   Burton Nderitu

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