UNEP FINANCE INITIATIVE

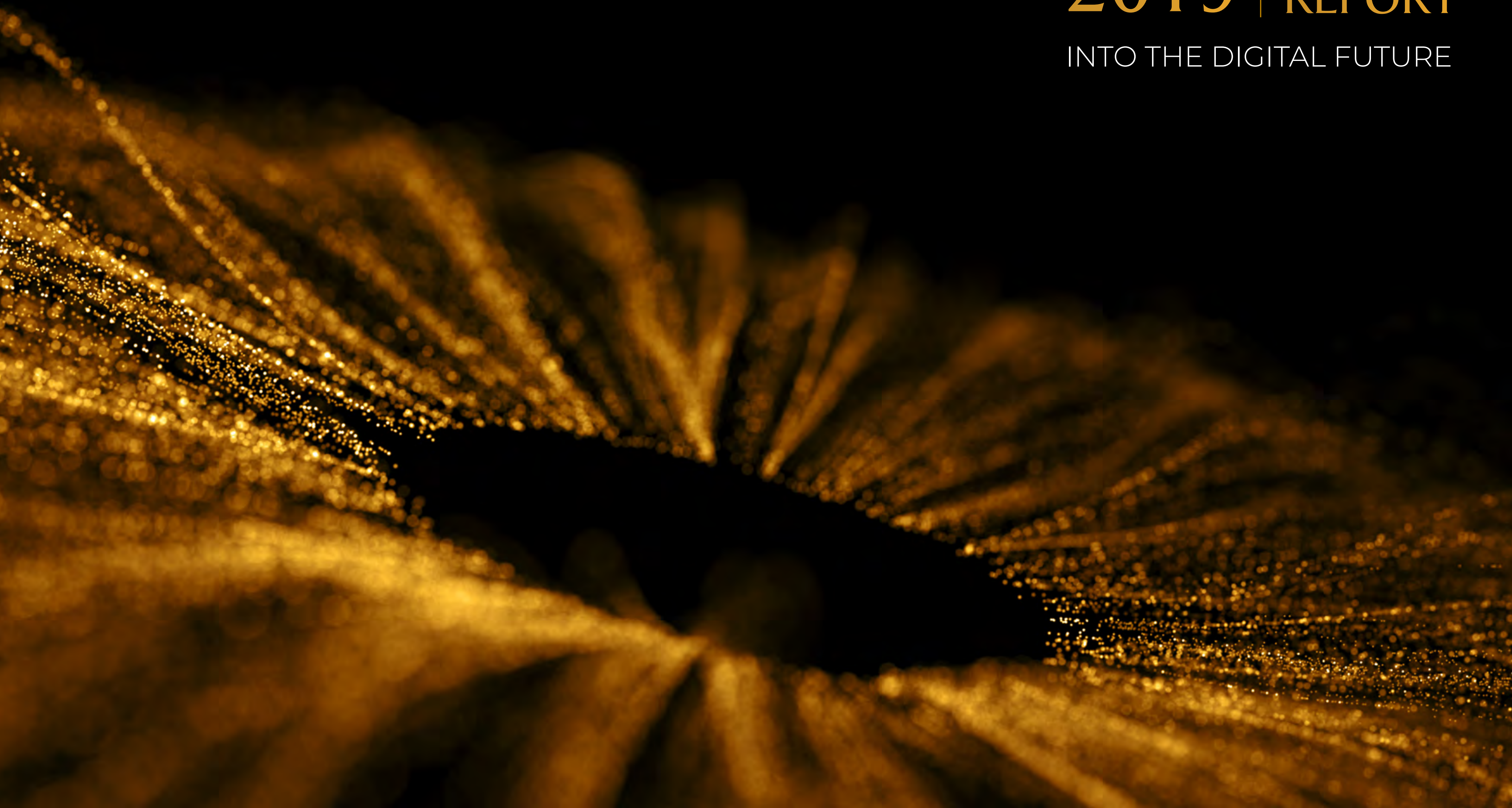
PSI Principles for Sustainable Insurance

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

ICEA LION GENERAL INSURANCE

2019 INTEGRATED REPORT

INTO THE DIGITAL FUTURE



FOREWORD

ICEA LION's 2019 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, while considering The Triple Bottom Line (TBL) of people, planet and profit.

The purpose of this report is to provide our stakeholders with concise information about ICEA LION in the context of the internal and external environment, as well as our ability to create 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 real contemporary issues affecting the insurance sector including 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 uses the 6 Capitals Model to demonstrate our value creation process. These capitals that underlie the disclosure in this Integrated Report are: human, intellectual, natural, social and relationship, manufactured and financial. 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 Group'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 General Insurance's financial statements contained in this report were audited by PricewaterhouseCoopers (PwC) LLP.

REPORTING PERIOD & RESPONSIBILITY OF THE INTEGRATED REPORT

The Integrated Report has been prepared for the period 1 January to 31 December 2019 and covers the activities of ICEA LION General Insurance Company Limited and its subsidiary. 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 Finance Initiative's Principles for Sustainable Insurance (PSI), we continue to stand by our commitment to responsible business. By signing on to these Principles, we lay down the foundation upon which we, as a player, 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.

Committed Leader in the International Stage

We are committed to responsible finance as the way of assuring our future. To amplify this and make a real impact, we embrace stronger regional and international co-operation in the knowledge that we cannot change the world alone. We believe in and live up to our brand promise 'We're better together.

In light of this, we have partnered with 21 of the world's largest insurers, representing around 10% of world premium and USD 5 trillion in Assets Under Management to develop a new generation of risk assessment tools designed to enable the insurance industry better understand the impact of climate change on their business. As the only Africa member of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) insurer pilot group, we are playing an active role in the climate change agenda. We are developing analytical tools that will be used to pioneer the insurance industry's climate risk disclosures that are in line with the recommendations of the TCFD, using the latest climate science, including some of the most advanced, forward-looking climate scenarios available.

In this regard, we have participated in various forums such as the PSI Market Event in Cairo - Egypt and the Global Forum on Human Settlements for Resilient Cities in Addis Ababa - Ethiopia, among others.

Our participation in such global platforms not only lends an African-voice to emerging global regulation that will soon find its way to this market, but also expands our network and collaborative engagements that helps us broaden our business opportunities. It brings us to the forefront of creating an impact and leaving the world a better place for the sake of future generations.

Looking to the future, we intend to work with our peers and industry partners within the East African space by hosting the 2021 PSI Market Event in Nairobi as we seek collaborative engagements that can help us tackle this global challenge.

As society's early warning system and risk manager, we are consistently pursuing innovation to better serve our customers and society as we seize unprecedented business opportunities to ensure an insurable, resilient and sustainable world.

In the following sections of the report, we use the concept of the 6 Capitals framework to anchor our disclosure and demonstrate the integration of strategy and sustainable development issues, material aspects, how we manage and perform for each capital.

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WHO WE ARE 01

ICEA LION
GENERAL INSURANCE

ABOUT ICEA LION GROUP

ICEA LION General Insurance is the short-term insurance arm of ICEA LION Group and currently operates in Kenya and Tanzania.

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 Lion of Kenya Insurance Company Limited (LOK) and Insurance Company of East Africa Limited (ICEA) 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 non-life and life companies are ICEA LION General Insurance Company Ltd and the ICEA LION Life Assurance Company Ltd. ICEA LION Asset Management Ltd and ITSL Trust Company Limited Ltd are our investment and individual and corporate trusteeship companies. The insurance and investment subsidiaries in Tanzania and Uganda, previously controlled separately by Lion of Kenya and Insurance Company of East Africa (ICEA) respectively, also form part of ICEA LION Group.

Our Staff Complement Across East Africa

ICEA LION
GROUP
INSURANCE • PENSIONS • INVESTMENTS • TRUSTS

ICEA LION
LIFE ASSURANCE
140

ICEA LION
GENERAL INSURANCE
177

Subsidiaries

ICEA LION
ASSET MANAGEMENT
38

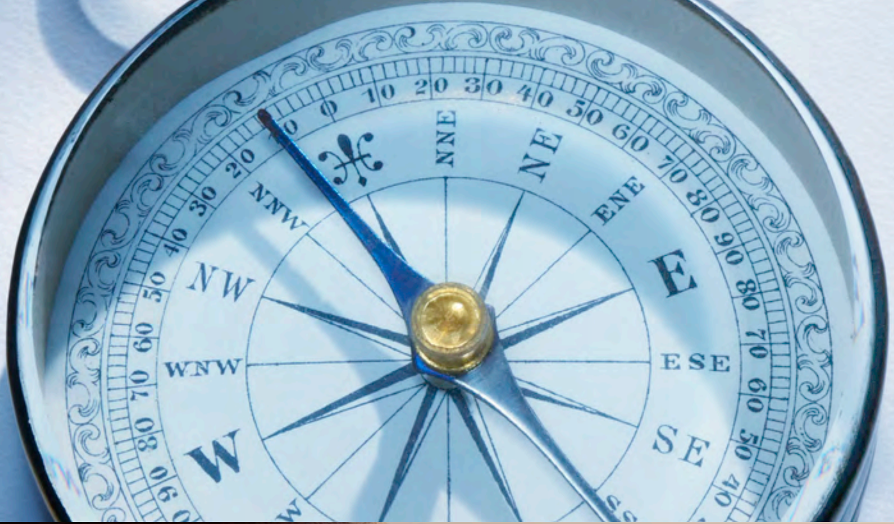
ITSL
ITSL TRUST COMPANY LIMITED
14

ICEA LION
GENERAL INSURANCE
38

ICEA
LIFE ASSURANCE
42

ICEA
GENERAL INSURANCE
51

ICEA
ASSET MANAGEMENT
7

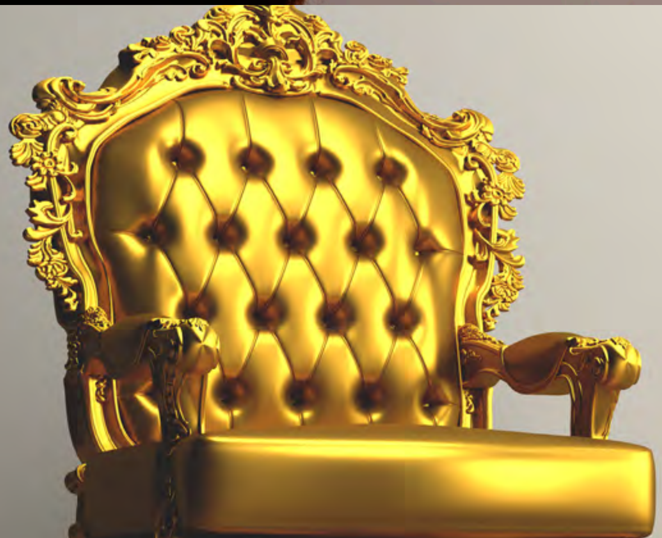


OUR MISSION

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

For every life-changing moment we're better together

OUR HISTORY

1895

The roots of Lion of Kenya (now ICEA LION General Insurance) can be traced to the very beginnings of the insurance industry in Kenya. In 1895 Smith Mackenzie & Company were appointed local Lloyd's agents in Mombasa.

The agency eventually evolved into a Royal Exchange Insurance Company branch. In later years, this merged with Guardian Assurance, Atlas Assurance, Caledonian Insurance, Employers Liability Assurance and Commercial Union, among others, to form the Guardian Royal Exchange and Commercial Union groups in East Africa.

1950's

In the 1950s, we operated as Joint Marine Office where ICEA LION's predecessors Guardian Royal Exchange and commercial groups in East Africa comprised the majority.

1978

With the introduction of the Incorporation Act in 1978, these groups, which had been run jointly, were converted into a local company, Lion of Kenya Insurance Company Limited, which would soon emerge as a well-respected brand within general insurance circles in the Kenyan market.

2012

Lion of Kenya was later renamed ICEA LION General Insurance in 2012 following business reorganisation with its sister company Insurance Company of East Africa (ICEA).

To enhance growth through wider regional representation, in 1998, when the Tanzania market was opened for private investors, the company invested in a subsidiary – Lion of Tanzania, now ICEA LION General Insurance Company Limited. This was a joint venture with Tanzania Development Finance Company and has grown to transact all classes of general insurance business.

ICEA LION
GENERAL INSURANCE

OUR REGIONAL FOOTPRINT

KENYA

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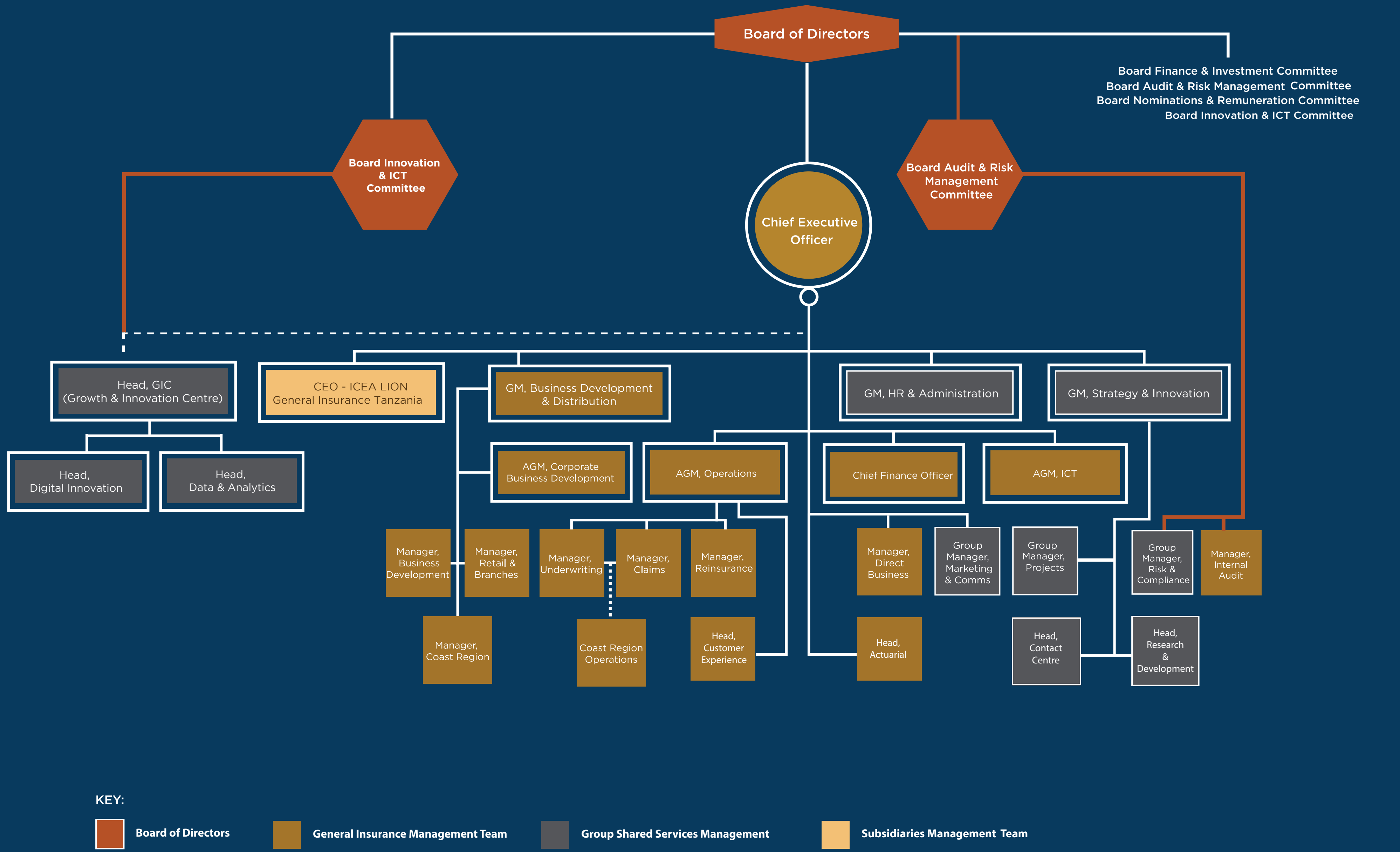
OUR LEADERSHIP STRUCTURE



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).

FINANCIAL CAPITAL

- Value added to the economy of Kshs 3.9 Billion
- Net Assets of Kshs 4.9 Billion
- Taxes paid of Kshs 519 Million
- Local procurement of Kshs 522 Million
- Market share of 4.53%

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

INTELLECTUAL CAPITAL

- Brand Consideration Measure of 73% in East Africa against a global average of 57%
- Brand Strength Measure of 1.9% in East Africa against a global average of 3.2%
- Brand Visibility Measure of 16% in East Africa against a global average of 24%
- Award winning advertising campaigns for millennials dubbed #BackYourFuture that garnered the Best Overall Integrated Campaign as well as Best Overall Campaign across industries in Kenya as well as 2nd Runners Up in Africa at the African Cristal Awards
- Development of the first End-to-End online Motor Portal Issuing digital certificates in East Africa.

3 GOOD HEALTH AND WELL-BEING

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 marine, travel and motor insurance

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

HUMAN CAPITAL

- Proportion of women staff members working at 53%
- Percentage of women in senior management at 38%
- Direct jobs sustained in entire economy - 218
- Number of staff between 20s and 30s – 17%
- Number of staff in wellbeing programs - 134
- Learning costs per employee Kshs. 64,967

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

NATURAL CAPITAL

- Signatory to UNEP FI PSI since 2016
- Participant in TCFD Insurer pilot group
- Carbon-Neutral operations
- Monitored resource usage (water, fuel, power & paper)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

SOCIAL & RELATIONSHIP CAPITAL

- Corporate Social Investment & Responsibility worth 21.3 million between 2013 and 2019
- Grew our social media following : Facebook over 60,000 | Twitter over 6,700 | LinkedIn over 11,200 | Instagram over 2100 | YouTube over 530

17 PARTNERSHIPS FOR THE GOALS

OUR 2019 AWARDS

1. INDUSTRY CUSTOMER SATISFACTION AWARDS

Winner

2. INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (ICPAK) FINANCIAL REPORTING EXCELLENCE (FiRe) AWARDS

Insurance Category : 1st Runners Up

3. AFRICAN CRISTAL MEDIA & ADVERTISING AWARDS - MOROCCO

Insurance Digital Category : 2nd Runners Up

A jubilant ICEA LION team celebrates emerging 1st Runner's Up in the Insurance Category having moved up from 2nd Runners Up Overall in 2018.

CHAIRMAN'S STATEMENT

ICEA LION General Insurance reported a record performance in 2019 despite the challenging environment across the region. 2019 marked the second year of our Company's 2018-2022 strategic planning period whose strategy is anchored on differentiation to drive our growth and profitability agenda.

The macro economic conditions under which our business operated are as summarized in the metrics illustrated overleaf.

SUSTAINING PROFITABLE GROWTH

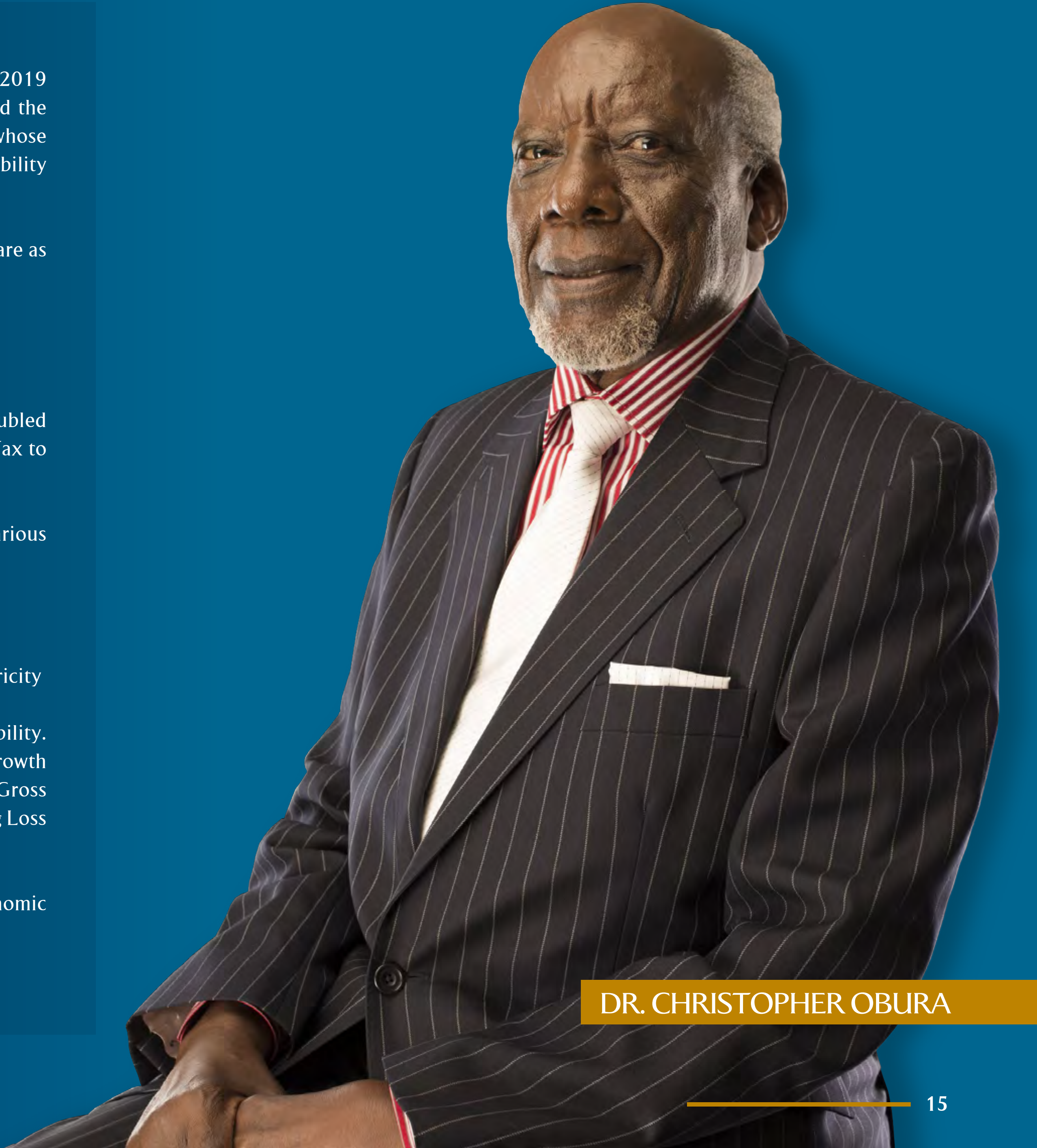
The Group reported a 5% growth on its Gross Written Premium, doubled its Underwriting Profit and reported a 87% growth in Profit Before Tax to close at Kshs 1.1 billion.

The profitable growth was underpinned by the implementation of various strategic initiatives including

- Establishment of key partnerships
- Review and transformation of the motor claims processes
- Continuous improvement and increased focus on customer centricity

The Kenya business contributed substantially to the Group's profitability. Measures were also taken in our Tanzania business to spearhead growth and profitability initiatives and these resulted to a growth in the Gross Written Premium of 21.5% and significant reductions in Underwriting Loss and the Loss Before Tax.

The Group, Company and Subsidiary performance as well as key economic indicators is summarized overleaf.



DR. CHRISTOPHER OBURA

KENYAN ECONOMY

Gross Domestic Product (GDP)

99.246B (USD) - 2019

87.93B (USD) - 2018

GDP per Capita

2,010 (USD) - 2019

1,711 (USD) - 2018

USD/Kshs Exchange Rate

Kshs 101.33 - 2019

Kshs 101.85 - 2018

The stable exchange rate was occasioned by the narrowing of the current account deficit. This was also attributed to strong diaspora remittances, offshore investor inflows and sufficient foreign exchange reserves.

Average Headline Inflation

5.8% - 2019

5.7% - 2018

This remained within the Central Bank's target band of 5+-2.5%. The increased inflation rate was occasioned by higher food prices.

364 Day Treasury Bill Rate

9.8% - 2019

10% - 2018

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

GDP Growth Rate

5.9% - 2019

6.3% - 2018

The decline was occasioned by unfavorable weather conditions and reduced government investment.

Account Deficit

4.9% of GDP - 2019

5% of GDP - 2018

The improvement was occasioned by increase in foreign exchange reserves from USD 9 billion to USD 8.9 billion being 5.6 month's import cover. This provides adequate cover against any unforeseen volatility.

Private Sector Credit Growth

5.3% - 2019

3.26% - 2018

91 Day Treasury Bill Rate

7.2% - 2019

7.3% - 2018

182 Day Treasury Bill Rate

8.2% - 2019

9% - 2018

TANZANIAN ECONOMY

Gross Domestic Product (GDP)

62.22B (USD) - 2019

56.85B (USD) - 2018

GDP per Capita

1,090 (USD) - 2019

1,009 (USD) - 2018

GDP Growth Rate

6.8% - 2019

6.7% - 2018

The growth of GDP was mainly attributed by increased construction and mining activities.

Inflation

3.4% - 2019

3.5% - 2018

The reduction in inflation was attributed to improved food supply.

USD/Tshs Exchange Rate

2290 Tshs/USD - 2019

2263 Tshs/USD - 2018

The Tanzania Shilling weakened slightly against the USD.

91 Day Treasury Bill Rate

4.28% - 2019

2.91% - 2018

182 Day Treasury Bill Rate

4.9% - 2019

3.95% - 2018

364 Day Treasury Bill Rate

8.01% - 2019

6.85% - 2018

The increase in average yield can be attributed by government's measures to raise funds in order to close the budget deficit gap.

Account Deficit

3.4% of GDP - 2019

3.3% of GDP - 2018

The account deficit increased due to increased capital spending in infrastructure projects.

PERFORMANCE

Gross Written Premium

Group

6.2B in 2019

5.9B in 2018

Company

5.8B in 2019

5.6B in 2018

The group reported a 5% growth

Total Revenue

Group

7.35B in 2019

6.7B in 2018

Company

6.9B in 2019

6.3B in 2018

The growth is supported by increase in reported investment income and the 5% growth on the Gross Written Premium.

Loss Ratio

Group

43% in 2019

54% in 2018

Company

44% in 2019

54% in 2018

The improvement was occasioned by streamlined claims management processes and partnerships within the value chain as well as a focus on underwriting quality business.

Underwriting Profit

Group

237M in 2019

47M in 2018

Company

266M in 2019

123M in 2018

The significant improvement was largely from the Kenya business and was supported by an improved loss ratio.

Profit Before Tax

Group

1.1B in 2019

591M in 2018

Company

1.11B in 2019

633M in 2018

The group almost doubled its profit before tax. This was on the back of an improved underwriting result and growth in the investment income.

Investment & Related Income

Group

1.09B in 2019

746M in 2018

Company

1.07B in 2019

713M in 2018

The increase was largely on the back of a reported gain on investments in the Nairobi Securities Exchange.

Total Assets

Group

13.7B in 2019

12.7B in 2018

Company

13B in 2019

12B in 2018

The growth was due to an increase in investment assets of Kshs 658m as well as recognition of right of use asset and net investment in sub lease arising from adoption of IFRS 16, Leases that has resulted to an increase of Kshs 429m.

Shareholders' Funds

Group

5B in 2019

4.6B in 2018

Company

4.9B in 2019

4.4B in 2018

The growth is on the back of the reported profit for the year after tax offset by the paid out dividends of Kshs 200m and the day one adjustment on adoption of IFRS 16, Leases of Kshs 123m

COMPETITION & INSURANCE PENETRATION RATE

According to the Quarter 3, 2019 Insurance Regulatory Authority Industry Release Report, the general insurance industry premiums grew by 3.7% with motor and medical classes of business maintaining leading positions in terms of contribution to total premium of 34.5% and 32% respectively. These two classes also contribute the largest proportions of incurred claims with combined ratios of 120.64 and 101.13 respectively. In addition, the industry reported an Underwriting Loss of Kshs 2.66 billion compared to an Underwriting Loss of Kshs 2.80 billion in Quarter 3 of 2018.

The global overall insurance penetration rate averages 6.09%. According to www.statista.com, Taiwan had the highest penetration rate at 20.88%, United Kingdom at 10.61%, United States at 7.14%, China at 4.22% while Kenya is at 2.4%.

Against this industry performance, the general underwriter of the future is obliged to strategize beyond the current operational norms to capture the untapped great potential of 97.6%. ICEA LION is keen to be at the forefront of revolutionalising the industry through digitization of its processes as well as in its distribution of its products and services. In addition, development of solutions to bring on board the uninsured market remains a pivotal part of our strategy.

REGULATION

Through the implementation of Risk Based Supervision by the Insurance Regulatory Authority (IRA), the industry has continued to experience various regulatory changes. Among these changes include the enactment of the cash and carry rule requiring that no underwriter assumes a risk prior to receiving premium payment. This requirement received mixed reactions from the industry and the matter is currently in court pending hearing. In addition, IRA required all brokers to obtain clearance letters from various underwriters. This was to confirm that premium balances as at 31st December 2018 had been fully paid for prior to the brokers receiving their 2019 licenses. Further, towards the end of 2019 and into early 2020, the Authority required underwriters to file minimum rates that they would be charging for various risks. This is aimed at reducing undercutting and turn around the performance of the industry.

FUTURE OUTLOOK

The Government of Kenya is committed to implementing the Big Four Agenda aimed at industrialization in health, housing, agriculture and manufacturing. Macroeconomic stability is expected to continue with a growth in Real GDP of 6%. This presents great opportunities for the insurance sector. We foresee significant opportunities in line with the Government's agenda and have strategized to optimize on this opportunity by offering specialized insurance products.

CONCLUSION

Our industry faces significant challenges and opportunities and we continue to realign our priorities to position ICEA LION General as the digital insurer of the future.

I wish to sincerely thank our customers, intermediaries and business partners for their continuing trust, loyalty and support.

Finally, I wish to thank our leadership and our entire ICEA LION Group team in all our business units for their vital contribution during the year. I also extend my gratitude to my fellow Directors for their continued commitment and service on the main Board and our various committees in guiding the forward trajectory of ICEA LION General Insurance.

Dr. Chris W. Obura
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT: ICEA LION GENERAL INSURANCE

OUR PERFORMANCE

2019 was a good year for us in terms of performance having reported the highest Profit Before Tax in our history of Kshs. 1.1 billion. This performance was achieved on the back of our 5-year strategy which focusses primarily on profitable growth, customer centricity, innovation, strategic partnerships and operational efficiency. This has resulted in careful selection of the business we underwrite, transformation of our claims process and innovation in our distribution channels.

Our business continues to focus on being the *digital insurer of the future* by focusing on innovation and agility in the present for the ever-changing future. Our customer's present and emerging needs are continuously evolving with greater focus on speed of access of products and services as well as a painless, transparent and expedient claims processing experience.

THE ECONOMY

Sub Saharan Africa registered an improved economic growth rate of 2.4% in 2019 compared to 2.6% in 2018. The lower-than-expected growth is attributable to global uncertainty, domestic macroeconomic instability, geo-political and regulatory uncertainty.

The Kenyan economy in 2019 was characterized by a decline in the GDP growth rate from 6.3% in 2018 to 5.9% in 2019 on the back of reduced agricultural activity attributed to prolonged rains, decreased output in various sectors and a rise in fuel prices.

The Kenya shilling strengthened against the US dollar and the Euro by 0.5% and 2.7% respectively. The shilling however weakened against the Pound by 3%. The Shilling's strengthening against the Dollar was supported by strong diaspora remittances, offshore investor inflows, sufficient foreign exchange reserves and a narrowing current account deficit.

The insurance industry grew by an average of 3.7% and reported an Underwriting Loss of Kshs 2.66 billion based on the Quarter 3 Insurance Regulatory Authority report.

STEVEN OLOUCH

KEY FOCUS AREAS IN 2019

Digitization of our products

In 2019, the Association of Kenya Insurers rolled out the digital motor certificates and this marked a significant leap in our motor digitization strategy. In light of this, ICEA LION launched the first end to end digital motor insurance product to the market. This product provides our customers convenience in a click with their digital certificates emailed to them instantly. This achievement gives us impetus to forge on with digitization of all our products and services.

Customer Experience

True to one of our core values, *"We see through the eyes of the Customer"*, our clients and stakeholders are at the centre of all we do. We continue to forge our path towards customer experience excellence through various initiatives which include culture transformation, establishment of internal service level agreements, process automation and investment in our multi-channel contact centre. All these propel us in our quest to not only meet but exceed our customers' expectations. In 2019, we were delighted to be awarded the top rank in customer satisfaction in the industry via a survey carried out by InfoTrak.

Our People

Another of our core values is, *"Our People Are Important To Us"* and we have continued to invest in our most valued resource; Our Talent. During the year, we sponsored team members for various training programmes key amongst them certification of 9 Managers as Certified Engagement and Productivity Coaches (CEPC) from the International Coach Federation (ICF). Another 12 Managers are going through this very impactful training.

Inculcating coaching as our culture will result in our people being able to identify and maximize their personal and professional potential. In addition, a select team of 9 high-potential mid level team members went through the Africa Leadership University (ALX) accelerator programme to develop our next generation of leaders.

On a very sad note, we lost two members of staff Paul Giticha Ngare and Michael Kimani during the year. They are dearly missed and we will forever treasure the personal and professional contributions made whilst they were with us. Our tributes to Paul and Michael are on page 67 of this report.

FUTURE OUTLOOK

Looking forward, Africa's economic growth is projected at 3.9% in 2020 with its economic drivers gradually shifting towards investments and net exports and away from private consumption. East Africa has maintained its position as the Continent's fastest growing region with an average growth of 5% in 2019 followed by North Africa at 4.1%.

Kenya

Kenya's Real GDP growth is expected at 6% in 2020 while inflation is expected to remain around 5%. The positive outlook is on the back of projected favorable weather, increased crude oil production and the Government's execution of the Big 4 Agenda. The transformation of the economy faces challenges in manufacturing, agriculture and the labour market.

The share of these factors in the GDP is as below:-

Area	Contribution to GDP
Manufacturing	9%
Manufacturing value added	5%
Agriculture	52%

Tanzania

Tanzania is among the world's 10 fastest growing economies. There is a positive outlook on their economy underpinned by substantial public spending, robust private consumption and an upturn in exports. Growth in GDP is expected to be stable at 6% on the back of implementation of reforms to improve the business environment, favorable weather and prudent fiscal management. The country has enjoyed political stability, abundant natural resources and a strategic geographical location that all underpin progress on its developmental goals.

The government is keen to restore public confidence through the implementation of the Tanzania National Vision, 2025. The economy faces challenges including skill mismatch in the labour market, considerable poverty levels despite substantial infrastructural growth. General elections will be held in Tanzania in 2020 to elect the president and the national assembly. The elections are expected to be peaceful.

APPRECIATION

I would like to thank all our stakeholders, the leadership and team members of our ICEA LION Group family for the effort and support put into delivering our commendable 2019 performance.

STEVEN OLUOCH

Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S STATEMENT: ICEA LION INSURANCE HOLDINGS

It gives me great pleasure to offer my inaugural remarks in our 2019 integrated report having joined ICEA LION on 1st August 2019. My role is to work closely with the Chief Executive Officers of each of the operating companies in overseeing the implementation of the Group's strategic plan. I will also be supporting ICEA LION's Shared Services departments of Strategy, Growth & Innovation, Human Resources & Administration, Risk & Compliance as well as Marketing & Communications. The shared services support will focus on generating strong Group synergies for the Group's eight legal entities in Kenya, Uganda and Tanzania.
The Group will continue to strive for world class excellence in all its spheres of activity so as to achieve outstanding and sustainable levels of performance, which meet and exceed the expectations of all its stakeholders in the short, medium and long term.

For ICEA LION to continue to excel, we need to pay special attention to the seven foundations eloquently identified by Judge Marvyn King, in the King IV report on Corporate Governance. *These are: ethical leadership, the organisation in society, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and integrated reporting.* I am glad to observe that we indeed pay practical attention to these foundations of corporate governance and have incorporated integrated thinking in our business practices. This integrated report illustrates our integrated thinking.

As a Group we have chosen to be at the forefront of implementing initiatives that will contribute to not only our own business sustainability, but to the sustainability of our planet and the future generations who will derive their sustenance from its resources. In this regard, we continue to espouse the critical values of integrity, customer and people centricity as well as long term sustainable business practices that ensure we deliver on our promises. We also continue to ensure that trust is promoted throughout our entire stakeholder ecosystem. We are the first insurance group in East Africa to sign up to the United Nations Environmental Programme Finance Initiatives (UNEP-FI) Principles for Sustainable Insurance (PSI). This is a clear manifestation of our commitment to sustainable business practices within our industry for a more forward-looking and better managed world. As part of our ongoing commitments in this regard, we have partnered with 21 of the world's largest insurers, representing around 10% of world premium and USD 5 trillion in Assets Under Management to develop a new generation of risk assessment tools designed to enable the insurance industry better understand the impact of climate change on their business/industry.

Given our talented, focused and competent talent pool, our exemplary governance and risk management processes and our robust stakeholder management processes, I am confident that we shall continue to prosper in 2020 and beyond and I look forward to the future with great confidence.

DR. CAESAR MWANGI

OUR BOARD OF DIRECTORS

Seated at the front row from left to right: Joseph Muiruri, Director | Dr. Christopher Obura, Chairman | James Ndegwa, Director | Steven Oluoch, Director

Standing & seated at the back row from left to right: Mugwe Manga, Director | Robin Ndegwa, Alternate Director | Patrick Mugambi, Alternate Director | Kairo Thuo, Director | David Hutchison, Director | Mariam Abdullahi, Director | Kennedy Ontiti, Company Secretary | Dr. Caesar Mwangi, Director | John Kimeu, Director | Andrew Ndegwa, Director

Visit www.ICEALION.com for their individual profiles

OUR LEADERSHIP TEAM

OUR TANZANIA SUBSIDIARY

OUR SHARED SERVICES TEAM

ROW 1

Steven Oluoch, Chief Executive Officer
Alvin Odhiambo, GM - Business Development & Distribution
Zipporah Chege, Chief Finance Officer
Jane Muiru, AGM – Operations | David Too, AGM – ICT
Peter Mukuria, AGM, Business Development – Commercial

ROW 2

Jennifer Kamotho, Manager, Business Development – Commercial
Radcliffe Nyamai, Manager, Business Development - Commercial
Maurice Misiko, Manager, Business Development - Commercial
Andrew Muturi, Manager, Business Development - Direct
Evelyn Musunzar, Manager, Business Development – Retail & Branches
Charles Kagima, Manager - Coast Region

ROW 3

Lucy Karanja, Manager - Underwriting
John Njenga, Manager - Reinsurance & Risk Surveys
Lydia Mwirigi, Manager - Claims
Kevin Nyakeri, Manager - Internal Audit
Maryleen Thome, Head - Customer Experience
Joy Gachoka, Head - Actuarial

ROW 4

Jared Awando, Chief Operating Officer - Tanzania

ROW 5

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

ROW 6

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

Visit www.ICEALION.com to view their individual profiles

WHERE & HOW WE OPERATE

02

OPERATING CONTEXT

INDUSTRY GROWTH RATE IN KENYA

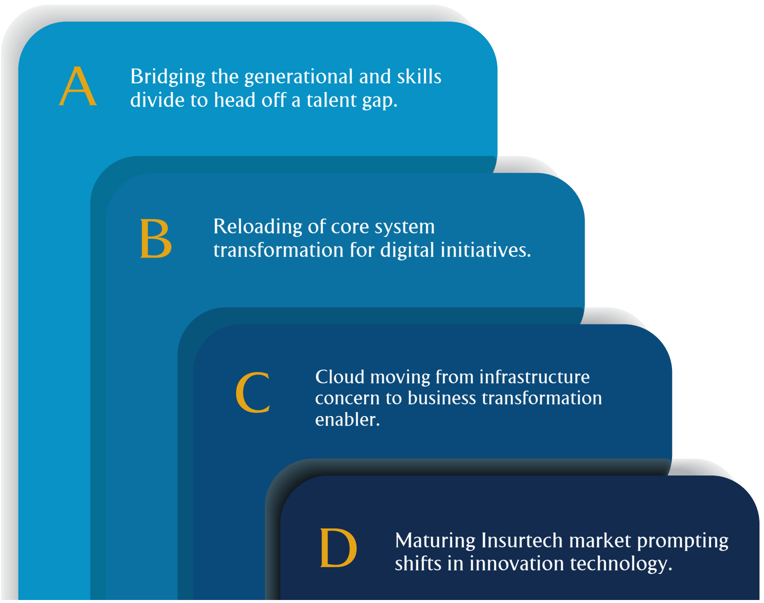
The Kenyan insurance sector remains stable with a growth rate of 6.5%, with non-life premiums recording a 3.7% growth in Quarter 3 of 2019 while the life premiums recorded a growth of 11% during the same period. The Kenya and Tanzania economic indicators are as described on Pages 16 and 17.

INSURANCE INDUSTRY PENETRATION

The insurance industry penetration rate in Kenya remains relatively low at 2.4% based on an Insurance Regulatory Authority (IRA) report in 2018. The low penetration rate also characterizes the global position. This calls for a complete shift in the existing practices by the players in the industry if the economy is to experience a deeper penetration of insurance in the region.

INDUSTRY CHALLENGES

Deloitte's 2020 insurance outlook report indicates that the industry is grappling with:



At ICEA LION, our growth is pursued for profitability with differentiation as a key driver. As such, efficient expense management continues to be an ongoing mission for our Group and indeed most insurers as we seek to release funds to invest in new products, technology, business models and capabilities.

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 buzz word 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 now referred 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

ICEA LION is committed to delivering on its mission 'To Protect and Create Wealth' for all its stakeholders. Stakeholder engagement is ingrained in our governance and strategy and is articulated in ICEA LION's Stakeholder Management Plan. These guidelines govern how we communicate, engage and release material information about the Group to ICEA LION Group's stakeholders across our network in Kenya, Uganda and Tanzania.

Significantly, ICEA LION Stakeholder Mapping is aligned to the Group Strategic Plan (2018-2022). Based on these strategic initiatives, the stakeholders are identified and appropriate engagement strategies outlined. In development of these engagement strategies, the plan bears in mind the processes required to identify the people, groups and organisations that could affect or be affected by our business activities.

ICEA LION commits to ensuring shared value is delivered for all our stakeholders. As a result, we are able to 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.

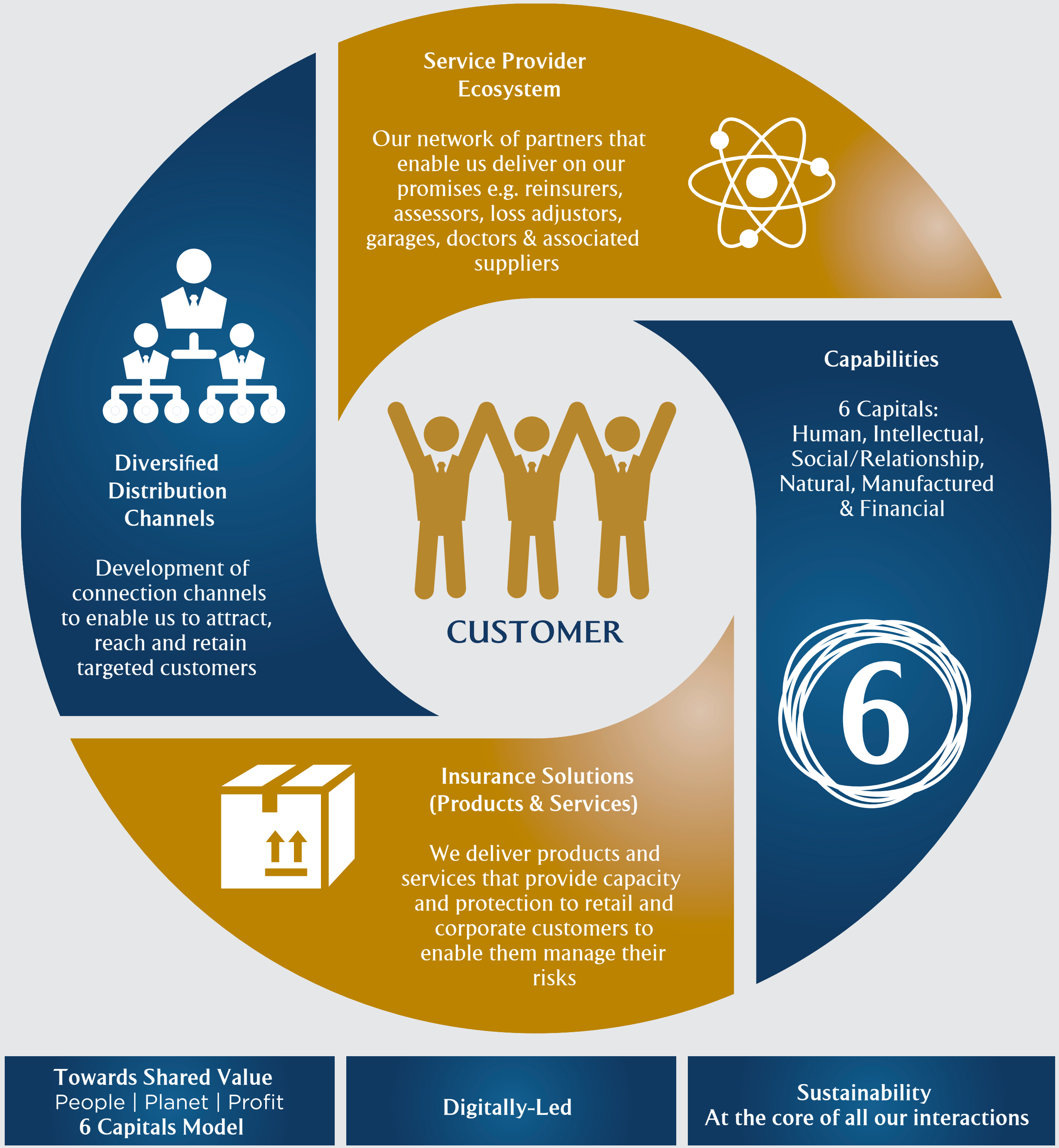
STAKEHOLDER MAP

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.

OUR STAKEHOLDERS

OUR BUSINESS MODEL



GENERAL MANAGER STRATEGY & INNOVATION STATEMENT

Below is a summary of our 2019 strategy depicting what we had planned to accomplish against the actual results.

NAOMI MUNYI

CAPTURING GROWTH MARKETS

STRATEGY

We aim to grow profitably in Motor and Medical classes as well as improve performance in Specialty Classes which include Marine, Engineering, Aviation and Hospitality

ACHIEVEMENT

- We partnered with various intermediaries to grow our specialty classes which yielded positive results from a profitability perspective
- We finalised on the claims process transformation and launched the first end to end digital motor insurance product to the market. Our online motor portal provides our customers convenience in a click with their digital certificates emailed to them instantly
- Towards the end of the year, we changed our reinsurance strategy on medical business in the belief that this will allow for profitable growth in this class in 2020. In addition, we continue to work on a model that will enable us to expand our medical class profitably
- Our motor commercial class turned around during the year to report an underwriting profit. Efforts continue towards ensuring a turnaround in the motor private class of business

SETTING UP A GROWTH & INNOVATION CENTRE

STRATEGY

We planned to set up a GIC that would enable us to transform into an innovative, customer-centric and insight-driven organisation

ACHIEVEMENT

- Our team developed the Data & Data Analytics Strategy as well as the Digital Strategy whose implementation has commenced and will be fast tracked in 2020. We commenced a test and learn process with different novel technologies and practices to be launched in 2020 to uplift the motor business
- Our GIC has been set up and key resources recruited. User Experience and Analytics support was provided to the roll out of the online motor insurance portal
- The team also embarked on business process automation, system integration and streamlining initiatives to optimise costs and increase profitability of back-end processes in the motor business
- Please refer to page 33 for an interview with our Head, Digital Innovation

DEVELOPING CUSTOMER CONNECTIVITY

STRATEGY

We plan on positioning ourselves as the industry leader in customer experience excellence by focusing on developing a personalised experience for our customers through enhanced digital, data analytics capabilities.

ACHIEVEMENT

- We have invested in a Customer Relationship Management (CRM) System and a Mobile APP for Agents. In conjunction with our Multi-Channel Contact Centre, these portals ensure better connectivity with our customers and our services at the Contact Centre have been extended to support our online engagement initiatives. The utilisation of the CRM module enables our business and operational teams to be held accountable. The roll out of our online self-service portal also ensures 24/7 handling of simple service requests by our customers. The GIC has also supported the roll out of the Mobile Agent App with a specific focus on User Experience Design and Analytics. Live chat has also been incorporated into all online channels to reduce back office intervention and assist our online Customers
- The 2019 InfoTrak Research and Consulting Customer Satisfaction Survey for the insurance industry ranked us 1st overall for the following the following parameters: Claims handling, Trust and corporate image, First point of interaction with the insurance provider, Technology, Insurance personnel, Value for price, Access. We were also ranked 2nd on product and price The results of this survey are a testament to our customer centricity

WINNING WITH THE PARTNER & CHANNEL ECOSYSTEM

STRATEGY

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.

ACHIEVEMENT

- We have undertaken backward integration with intermediaries and garages making transfer of data between the entities efficient, hence offering a better experience for our customers
- We have placed large emphasis on growing our direct business book and we are also in the process of developing our digital channels to better connect with our Customers through CRM and Mobile Applications. Our Motor Online Portal is scheduled to launch in January 2020 to join our Travel and Marine portals
- We have embarked on partnership engagements with major Telecoms, Fintechs and Technology providers across East Africa with an eye to extend our services by leveraging on their expertise in Innovation

BECOMING AN INSIGHT DRIVEN ORGANISATION

STRATEGY

- 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

ACHIEVEMENT

- During the year, we trained 8 staff on data analytics and has rolled out various initiatives which include: - Deploying an analytic model that provides insights on percentage of customers whose business is lost per quarter or year; anticipated profit potential and lifetime revenue per customer by income, geography, demographics, etc.; so as to more effectively target products and services
- Driven by the insights generated by the model, we are designing strong and highly personalized loyalty programs by identifying those services, support, and promotional offers that our most valued customer segments require to remain in good standing or increase their investment with our Group
- Please refer to page 34 for an interview with our Head, Data and Analytics

HARVESTING GROUP SYNERGIES

STRATEGY

- Our Group strategy is to establish ownership and an operating model to capture untapped value from group synergies

ACHIEVEMENT

- Our Group Synergies Committee was set up to focus on identifying and exploiting opportunities to create value for the Group and all its Stakeholders; during the year a total of Kshs 1.6B worth of revenues was generated through group synergy.
- The GIC has spearheaded the initiative to centralise Group customer on-boarding and reporting. This will help to improve customer handling and enable front-line staff (with associated rights) to attain a 360 degree view of their customers.

GAINING PROFITABILITY FROM OPERATIONAL EFFICIENCY

STRATEGY

- We had planned to streamline our processes to make them seamless and efficient in order to minimise operating costs and better secure our customers

ACHIEVEMENT

- Our Group has embarked on various business process automation enhancements , system integration and streamlining initiatives to optimise costs and increase profitability. As a result, the Company's made significant progress on key metrics that contribute and or measure profitable growth. These are as follows: -

Metric	2019	2018
Loss Ratio	44%	54%
Underwriting profit	Kshs 267 million	Kshs 123 million
Profit before tax	Kshs 1.11 billion	Kshs 633 million

INTERVIEW WITH THE HEAD, DIGITAL INNOVATION
VERONICA SENTONGO

Q "Digital Transformation" has become a buzz word in many organisations. Why is this the case?

A Most companies are seeking a cost-effective way to deliver their products/services to a larger market. The fear of being an "immovable elephant" that gets left behind, has propelled companies to innovate and transform.

Q I like to think that Digital Transformation is actually just the application of technology. Is this a correct assumption?

A Digital transformation is not simply the implementation of technology. It is not only about creating the most beautiful Mobile App or having the fastest Online portal or the implementation of novel technologies like Block chain, Augmented Reality, Artificial Intelligence, Internet of Things, Cloud processing or Robotics alone. These technologies are enablers and are the first step into this realm of possibility. Providing value to your customers beyond the technology is the true transformation of your business.

Q What are the attributes of a company that has truly transformed digitally?

A We see that companies renowned worldwide for Digital Transformation are able to leverage technology to transform their internal processes and customer touch points. They also have an emphasis on transforming their business culture. Additionally, their decision-making and time-to-market has evolved tremendously with a keen focus on the delicate balance between taking measured risks and security.

Q In your view, where are we on the journey of digital transformation at ICEA LION?

A Here at ICEA LION, the journey has earnestly began. We are working to enrich the way our stakeholders perceive and interact with us as we provide solutions to protect and create their wealth. Our true measure of success will be our ability to digitally enhance our customers' experience and fulfill our promise of delivery excellence - all the while maintaining an engaged and vibrant staff complement.

Innovation, Technology and Design Thinking are compelling us to shift our mind set from "product-first" to "customer-first". Through mindful application of technology, we can thus delightfully transform the way we interact with our customers. Their needs are our focus. We thus aim to provide the simplicity, safety, integrity and transparency that any customer - who trusts us with their future – will truly appreciate.

INTERVIEW WITH THE HEAD, DATA & ANALYTICS

MARTIN KARIITHI

Q As a Group, where would you advise that the Data Analytics journey begin?

A Using Data Analytics to achieve a sustainable competitive advantage and generate a significant return on analytics investment begins with a well-conceived Data Analytics strategy.

Q What is the fundamental aspect of transforming a company into a Data-driven business?

A Extracting value from data to drive intelligent business decisions requires a cultural shift within a business to institutionalize analytics-based decision management.

Q Why should an organization consider adopting Data Analytics

A Data and Analytics can fuel fascinating discovery and innovation. It can test hypotheses and find new patterns that may not have even occurred to Managers. Algorithms can support and enhance human decision-making. We see this playing out in Property and Casualty Insurance, where new companies have entered the marketplace with Telematics data that provides insight into driving behaviour. Our own telematics journey has began.

Q How does Data Analytics aid in decision-making?

A As the sources of data grow richer and more diverse, there are many ways to use the resulting insights to make decisions faster, more accurate, more consistent, and more transparent. Most profoundly, decisions no longer have to be made in the dark or based on gut instinct; they can be based on evidence, experiments, and more accurate forecasts.

Q What does our Data Analytics strategy at ICEA LION encompass?

A Our 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. Making the results accessible to business decision-makers is vital for adoption, so as a part of the strategy we work with our internal teams to build visualization and deployment solutions tailored for our production environment.

03
GOVERNANCE STATEMENTS

ICEA LION
GENERAL INSURANCE

CHAIRMAN'S GOVERNANCE STATEMENTS

"WE BELIEVE THAT CORPORATE GOVERNANCE IS **MORE** THAN JUST A SET OF GUIDELINES; RATHER THE **FRAMEWORK** WHICH UNDERPINS OUR **CORE VALUES** FOR RUNNING THE BUSINESS IN WHICH WE ALL BELIEVE, INCLUDING A **COMMITMENT** TO OPEN AND TRANSPARENT COMMUNICATIONS WITH OUR STAKEHOLDERS."

DR. CHRIS OBURA

On behalf of the ICEA LION General Insurance Board, it is my pleasure to share with you this comprehensive 2019 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 and Global Reporting Initiatives (GRI) in our reporting process.

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

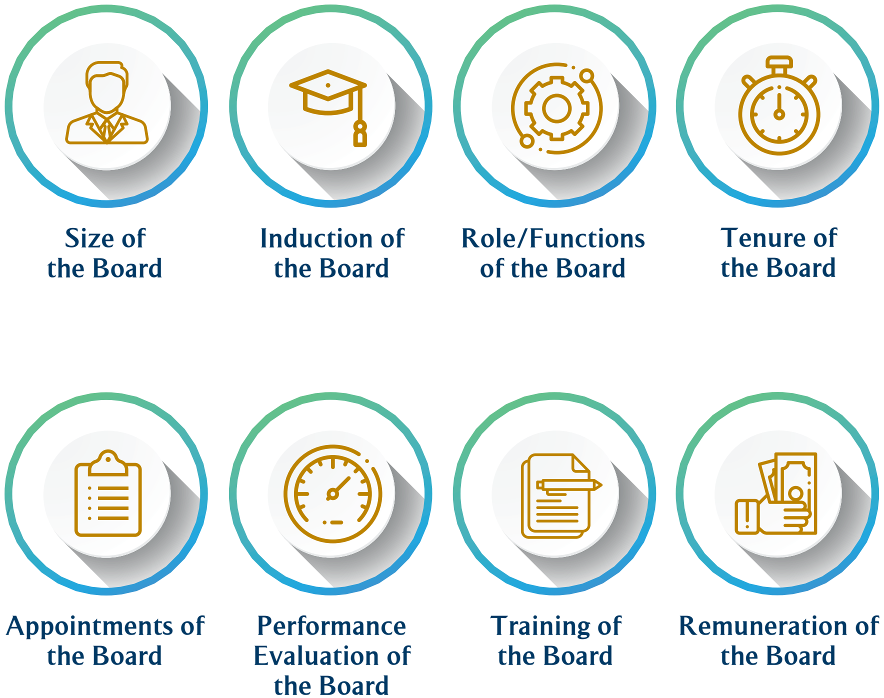
BOARD OF DIRECTORS

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



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 Nomination and Remuneration Committee of the Board.

Recruitment of CEO, ICEA LION Insurance Holdings Ltd

Reflective of the Board's commitment to the orderly refreshment of its collective skill and experience, Dr. Caesar Mwangi was appointed as the CEO of ICEA LION Insurance Holdings Ltd. A highly respected and experienced foresight leader, Dr Caesar served as a non- executive director on the Boards of ICEA LION General Insurance Limited and ICEA LION Life Assurance Limited before his appointment on 1st August 2019. Dr Caesar has strong background in Accounting, Finance, Management, Governance and Academia. He is working closely with the Chief Executive Officers of each of the operating companies in overseeing the implementation of the Group strategic plan.

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 & INFORMATION FOR DIRECTORS

In 2019, 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. The Board evaluations have been carried out for the past four consecutive years with significant improvements made to this end.

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

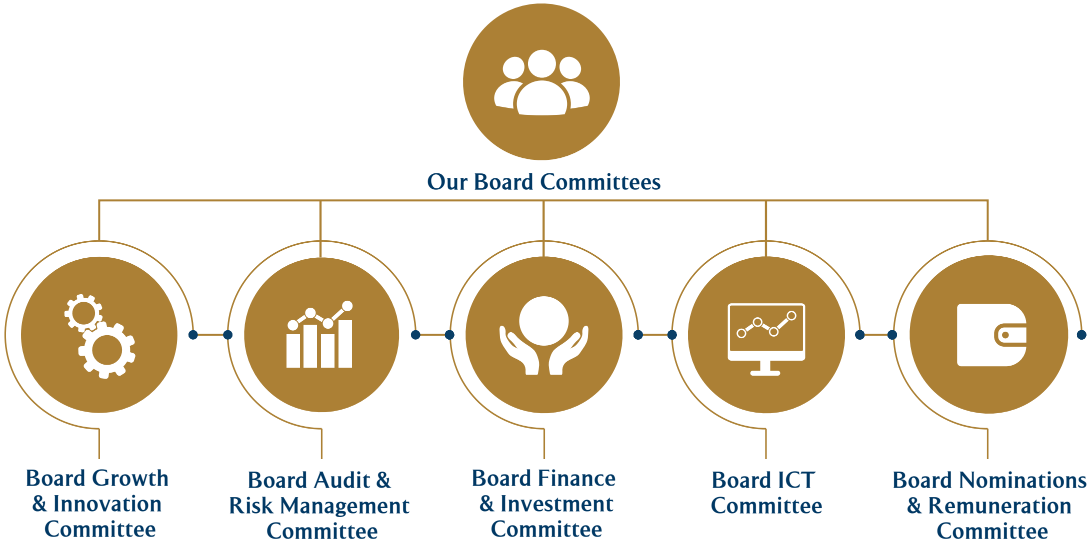
The Board is committed to a clear division of responsibilities between the Chairman and the CEO. The Chairman is responsible for managing the Board and providing strategic leadership to the Company.

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.

BOARD OF DIRECTORS



1. Board Audit & Risk Management Committee

This committee is chaired by a non-executive director. There are six other directors who sit on this committee. The CEO, GM (Strategy & Innovation), GM (Business Development & Technical Services), Chief Financial Officer, Assistant General Manager ICT, Manager (Internal Audit), ICT Systems Auditor and the Manager (Risk & Compliance), attend by invitation.

The committee met four times in 2019 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 & 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.

2. Board Finance & Investments Committee

This committee is chaired by a non-executive director. Four other directors sit on this committee. The CEO, the General Manager (Strategy & Innovation), the Chief Finance 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.

3. Board Growth Innovation & ICT Committee

In order to create a more coordinated approach towards innovation and digital transformation, in Quarter 4 2019, the Board ICT Committee merged with the previous Board Growth & Innovation Committee. Its name has therefore changed to the Board ICT and Innovation Committee. Aside from its roles of reviewing the ICT Strategy including ICT Security and Business Continuity Plans (BCP), recommending ICT projects for Board approval, reviewing recommendations on the annual budgets and monitoring project implementation, it now has an expanded role.

These new roles includes being the Board's oversight and liaison committee on formulation and implementation of our innovation agenda and related matters. Others include vetting the Company's innovation strategy and investments in innovation development prior to submission to the Board for approval. It also monitors compliance with the approved innovation strategy, including innovation portfolio mix and the progress made in its implementation.

This committee is chaired by a non-executive director. Five 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 & Compliance), The Head; Digital Innovation & The Head Data and Analytics attend by invitation. The ICT committee met three times in 2019. The Growth Innovation and ICT Committee met once in the year.

4. Board Nominations & Remuneration Committee

This committee is chaired by a non-executive Director. Three other directors also sit on this committee. 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 as well as succession planning.

BOARD OF DIRECTORS MEETING ATTENDANCE

Board of Directors					
Name	Designation	22.03.2019	21.06.2019	20.09.2019	29.11.2019
Dr C W Obura	Chairman	√	√	√	√
J P M Ndegwa	Member	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
R M Ndegwa	Alternate Director	√	√	√	√
J K Muiruri	Member	√	√	√	√
J K Kimeu	Member	√	√	√	√
D G M Hutchison	Member	√	√	√	√
P K Mugambi	Alternate Director	√	√	√	√
Dr C Mwangi	Member	√	√	√	√
Mr M Manga	Member	X	√	√	√
Ms M Abdullahi	Member	√	√	√	√
Mr K Thuo	Member	X	√	√	√
S O Oluoch	Chief Executive Officer	√	√	√	√

Board Audit, Risk & Compliance Committee					
Name	Designation	06.03.2019	19.06.2019	17.09.2019	26.11.2019
J K Muiruri	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	X
J K Kimeu	Member	√	√	√	√
D G M Hutchison	Member	X	√	√	X
P K Mugambi	Member	√	√	√	√
R M Ndegwa	Member	√	√	√	√
S O Oluoch	Chief Executive Officer	√	√	√	√

Present √ Absent with Apologies X

Board Nomination & Remuneration Committee			
Name	Designation	04.03.2019	05.11.2019
J P M Ndegwa	Chairman	√	√
A S M Ndegwa	Member	√	√
J K Muiruri	Member	√	√
J K Kimeu	Member	√	√
S O Oluoch	CEO	√	√

Board ICT Committee				
Name	Designation	18.03.2019	17.06.2019	16.09.2019
D G M Hutchison	Chairman	√	√	√
A S M Ndegwa	Member	√	√	√
J K Muiruri	Member	√	√	√
J K Kimeu	Member	√	√	√
P K Mugambi	Member	√	√	√
Mariam Abdullahi	Member	√	√	√
M Manga	Member	√	X	√
S O Oluoch	CEO	√	√	√

Board Growth & Innovation		
Name	Designation	09.05.2019
D G M Hutchison	Chairman	√
A S M Ndegwa	Member	√
Mr M. Manga	Member	√
Mariam Abdullahi	Member	√
S O Oluoch	CEO	√

Board Growth, Innovation & ICT Committee		
Name	Designation	25.11.2019
M Manga	Chairman	√
A S M Ndegwa	Member	√
J K Muiruri	Member	√
J K Kimeu	Member	√
P K Mugambi	Member	√
Mariam Abdullahi	Member	X
S O Oluoch	CEO	√

Board Finance & Investment Committee					
Name	Designation	18.03.2019	17.06.2019	16.09.2019	25.11.2019
A S M Ndegwa	Chairman	√	√	√	√
J K Kimeu	Member	√	√	√	√
J K Muiruri	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
Mr M. Manga	Member	√	√	√	√
S O Oluoch	CEO	√	√	√	√

Present √ Absent with Apologies X

Attendance at Full and Board Committee meetings was commendable

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. It positions us, as a market leader as we seek dominance towards shaping policies that positively influence the insurance market.

Our Role in Climate Change

As the only Africa member of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) insurer pilot group, we are playing an active role in the climate change agenda. As a member of this pilot group, we are working with 21 of the world's largest insurers, representing around 10% of world premium and USD 5 trillion in assets under management to develop a new generation of risk assessment tools designed to enable the insurance industry to better understand the impact of climate change on their business.

The pilot group is developing analytical tools that will be used to pioneer insurance industry climate risk disclosures that are in line with the 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.

INTERNAL CONTROL & RISK MANAGEMENT SYSTEMS

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

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

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

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:

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

01 Having terms of reference for the Board and each of its committees

02 A clear organizational structure with documented delegation of authority

03 Defined procedures for the approval of major transactions

04 Establishment and monitoring of the internal control framework by the management

05 Review of the internal and external audit reports

COMPLIANCE & ANTI-MONEY LAUNDERING

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

These guidelines include:

- Corporate Governance Code for Private Sector Organisations;
- Anti-Money Laundering Guidelines by the Insurance Regulatory Authority (IRA);
- UK Corporate Governance Code;
- Organisation for Economic Co-operation and Development (OECD) Principles on Corporate Governance;
- King IV Report; and
- 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 stakeholders 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 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 50(c) to the financial statements for the year ended 31 December 2019. (See page 174)

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 50 to the financial statements for the year ended 31 December 2019. (See page 174)

COMPLIANCE WITH THE LAW

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

CONDUCT OF BUSINESS & PERFORMANCE REPORTING

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

DISCLOSURE OF INFORMATION & RELATIONSHIP WITH THE INSURANCE REGULATORY AUTHORITY

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

ACCOUNTABILITY, AUDIT & SHAREHOLDER RELATIONS

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

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

STAKEHOLDER GROUPS

We take cognizant 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. Significantly, training is geared towards knowledge that will aid us to deliver on strategy especially in the coming age where skills sets like data and analytics will be more critical.

Further, 9 Managers qualified as Certified Engagement and Productivity Coaches (CEPC) from the International Coach Federation (ICF) with another 12 undergoing this very impactful training. Inculcating coaching as our culture will result in our people maximizing their personal and professional potential. In addition, a select team of 9 high-potential mid level team members went through the Africa Leadership University (ALX) accelerator programme to develop our next generation of leaders.

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

BOARD FINANCE & INVESTMENT COMMITTEE REPORT

ANDREW NDEGWA

"We are committed to safeguarding the Company's investment assets and delivering competitive returns for our stakeholders on a consistent, sustainable and ethical basis."

It is my pleasure to report to you the activities of our Board Finance and Investment Committee for the year ended 31 December 2019.

The Committee is charged with the responsibility of:

- Reviewing investment policies and strategies
- Monitoring compliance with the approved investment strategy including investment mix and the progress made towards its implementation
- Monitoring the performance of the investment portfolio
- Recommending investment proposals to the Board for approval and overseeing investment projects
- Reviewing and recommending to the Board the Company's asset allocation policies and strategies including asset liability matching
- Engaging investment managers and consultants

During the year the Committee has:

- Considered the Economic outlook and its implications on the Company's investment strategies
- Reviewed the proposed investment strategies for the Company's asset portfolios
- Reviewed the Asset and Liability Matching reports for the Company on a quarterly basis and evaluated the liquidity gaps as well as assets durations for the various investments
- Considered compliance of the investment portfolios with the regulatory framework as stipulated by the Insurance Regulatory Authority
- Reviewed the performance of the investment portfolios against various measures which include liquidity, interest rates, relative performance, market and tactical allocations
- Vetted the annual investments budgets
- Reviewed strategies to ensure high properties occupancy rates
- Considered the property managers reports to ensure the properties are maintained in good condition and progress made on tenants debtors collections
- Approved investments, divestiture, expenditure and related decisions within the limits granted by the Board

During the year the Group and Company's investment portfolio performed as follows:

Figures in KSH

Group Investment Income	Group Investment Assets	Group Return on Investments
1.094 B in 2019	9.54 B in 2019	11% in 2019
746 M in 2018	8.9 B in 2018	8% in 2018

Company Investment Income	Company Investment Assets	Company Return on Investments
1.07 B in 2019	9.15 B in 2019	12% in 2019
713 M in 2018	8.5 B in 2018	8% in 2018

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

JOSEPH MUIRURI

> *We follow best practice guidelines on risk management and internal controls.*

As Chair of the Audit and Risk Management Committee, I am pleased to present our report. The committee meets quarterly to review external auditors' plans and reports, internal audit reports and any proposals or reports that affect our Company's internal control environment. Matters relating to ethics and policy holders' protection are dealt with by this committee.

This 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.

AUDIT & RISK COMMITTEE ACTIVITIES IN 2019

During the year, the Committee:

- Reviewed the Group's Integrated Report
- Reviewed the effectiveness of the internal controls and the work of Risk and Internal Audit functions
- In respect of financial statements, the Committee's focus was:
    - » The accounting judgments made by management that could have a significant effect on the Group's financial results
    - » Oversight of ICT changes affecting financial systems and controls
    - » The clarity of disclosure of financial information
    - » Whether the financial statements, taken as a whole, give a true and fair view of the Group and the Company's financial performance
- Key policies approved by the committee during the year were Transfer Pricing and IFRS 16

The Statement of Directors' Responsibilities can be found on page 93 of this report.

Company Capital Adequacy

The Committee reviewed and affirmed that the Groups and Company's capital adequacy status was adequate. Further, the Capital Management strategy in place was sound and capable of supporting the Group and 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 issue was noted during the period under review.

Information Technology

As part of its oversight responsibility, this Committee reviews controls over ICT. Our Company has a qualified ICT systems auditor who reviews ICT systems general controls, to provide 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, our 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 development of a group-wide cyber security strategy to be implemented by all subsidiaries. No major information security breaches were noted in 2019.

Internal Control & Risk Management

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

In order to do this, our Committee:

- Receives and agrees on appropriate actions in response to regular reports from the Risk & Internal Audit function on:
  - The status of internal control and risk management systems
  - The department's findings, annual plan and the resources available to it to perform its work
  - Any concerns expressed by colleagues about possible malpractice or wrongdoing
- Reviews whistle-blowing reports from our 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 54 to 61 of this report.

The main features of our 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:

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

EFFECTIVENESS & INDEPENDENCE OF THE EXTERNAL AUDITOR

Our Committee considered the effectiveness of Pricewaterhouse Coopers (PWC) LLP as the external auditor over the last year. In making this assessment our 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 & scope of work of the external auditor
- Audit work-plan for the Group
- Detailed findings of the audit including a discussion on major issues that arose during the audit
- The letter from the external auditor confirming its 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 our 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.

Our 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.

2019 Internal audit focus areas are highlighted below:

Audit Focus Areas	Meeting Dates in 2019	Overall ratings
Financial Investments	6th March	No significant failings or weaknesses of internal control were identified during these reviews. Where limited weaknesses existed and controls could be further enhanced, clear action plans were put in place with defined management responsibility.
Operations	"	
Operations IT System	"	
Salvages Auction Management	19th June	
IT vendors and internal services management	"	
Data center operations and business continuity planning	"	
Corporate Expenses Report	"	
Cash and Bank Report	"	
Network infrastructure Operations & Windows Active Directory	"	
Electronic Data Management System Audit	"	
Trade Receivables Audit	"	
Navision Financial System Audit	"	

Our Committee is satisfied with the performance of the internal audit function and will continue to provide support in ensuring it is able to achieve its mandate effectively.

FUTURE OUTLOOK

Our Committee understands the importance of a robust risk management process and control environment and looks to progressively strengthen it over time in this era of uncertainty. In light of this, new methodologies and best practices on audit and risk management will continuously be deployed with the aim of improving our Company's risk intelligence and internal control framework.

BOARD REMUNERATION & NOMINATION COMMITTEE REPORT

As the Chair of the Board Remuneration and Nomination Committee, I am pleased to report on the activities of the Committee for 2019.

This Committee considers and makes recommendations regarding the appointment of potential directors and is responsible for the evaluation of the performance of the Board, its committees, and directors as well as succession planning. The Committee reviews and makes appropriate recommendations to the Board in relation to the necessary and desirable competencies of directors.

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

KEY CONSIDERATIONS AND ACTIVITIES

During the year the Committee:

- Considered and approved the 2018 staff performance appraisals and 2019 Profit Share proposals
- Considered and approved the 2019 salary increments
- Reviewed the Company's ongoing compliance with regulatory and Best Practice Corporate Governance Codes
- Oversaw the recruitment of senior management
- Reviewed and approved enhancements to the employee benefits structure
- Considered and approved an implementation plan for job evaluation
- Considered and approved additional human resource policies

APPOINTMENT OF CHIEF EXECUTIVE OFFICER ICEA LION INSURANCE HOLDINGS LIMITED

Reflective of the Board's commitment to the orderly refreshment of its collective skill and experience, Dr. Caesar Mwangi was appointed as the Chief Executive of ICEA LION Insurance Holdings Ltd. This is a new position within the ICEA LION Group and one that works closely with the Chief Executive Officers of each of the operating companies in overseeing the implementation of the Group's strategic plan.

A highly respected and experienced foresight leader, Dr Mwangi served as a non-executive director on the Boards of ICEA LION Life Assurance Limited and ICEA LION General Insurance Limited before his appointment on 1st August 2019. Dr Mwangi has a strong background in Accounting, Finance, Management, Governance and Academia.

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

JAMES NDEGWA

REMUNERATION PHILOSOPHY

The Group is committed to a remuneration philosophy that prevails throughout the ICEA LION Group, and one which focuses on rewarding consistent and sustainable individual and corporate performance.

The Group's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders, operational and strategic requirements of the Group, and providing attractive and appropriate remuneration packages.

The remuneration practices of the Group have been structured to be competitive in the rapidly evolving industry in which it operates and to ensure that the Group can attract, motivate, reward and retain highly talented people.

BOARD INNOVATION & ICT COMMITTEE REPORT

MUGWE MANGA

> *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.*

In 2019, we witnessed the introduction of the virtual motor insurance certificate developed by the Association of Kenya Insurers (AKI). This exhibits the industry's step forward towards a digital future that will help create transparency in the motor industry and other businesses. As such, ICEA LION has taken positive action in becoming a part of this digital revolution with the emergence of the newly formed Growth and Innovation Centre (GIC) whose board committee has now merged with the Information, Communications & Technology (ICT) Committee to form the Innovation and ICT Committee.

It is without doubt that we are beginning to feel its dynamism as we move across its futuristic wake of advancements. We are delighted to highlight the following achievements in 2019 that focused on digital transformation projects :

- Online e-commerce portals for online sales of cancer and motor insurance products
- Online portal that provides customers with self-service capabilities
- Mobile application for our Group's life assurance agents to digitally manage the sales cycle, on boarding and portfolio management
- Core system improvements arising from process optimization, leading to shorter service turnaround times
- Digital motor certificates for real-time issuance of certificates for motor policies purchased online
- Service provider integrations to provide connectivity with our intermediaries, assessors, medical providersand garages.

OUTLOOK FOR 2020

In the year 2020 the Innovation and ICT Committee looks to deepen its reach in the digital transformation initiative through strategic partnerships, internal innovation strategies and customer connectivity initiatives. Special focus will be placed on enhancing core systems and applications to further improve efficiency in service delivery. Cyber security, ICT risk management and business continuity continues to be a key area of focus for the committee to address the rising challenges that emanate from increased use of technology.

APPRECIATION

I would like to take this opportunity to thank the entire ICEA LION Group team working on ICT and Innovation projects for their unwavering focus in transforming ICEA LION into an innovative and digitally-driven market leader.

04

OUR RISK LANDSCAPE

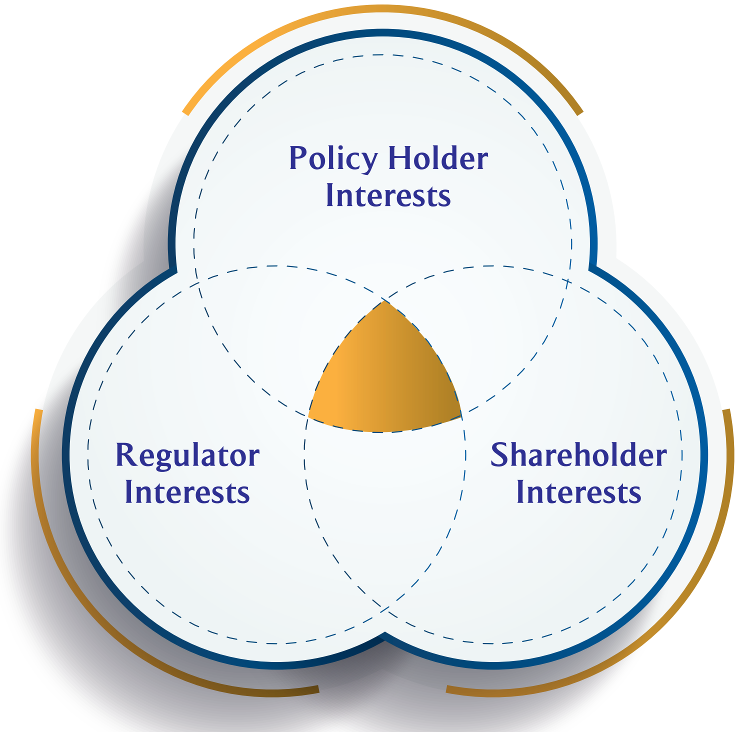
ICEA LION
GENERAL INSURANCE

MANAGING CURRENT RISKS

Our customers, both individuals and companies are no longer what they were before. They are interacting in new ways, exploring new services and facing new risks. Our role as an underwriter is to manage collective risks passed to us by our clients. Due to the changing landscape, products sold and the customer profile have attained a sophistication that requires more stringent risk management principles.

UNDERSTANDING INTERESTED PARTIES.

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



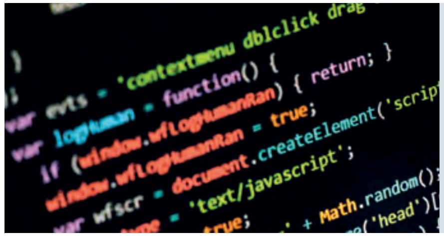
We are exposed to the following risks within the course of our day to day business

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 the 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 Policy ensures that assets are matched to liabilities and the investment mix is set accordingly. The Company has engaged the services of a professional Asset Manager to leverage on market intelligence.

LIQUIDITY RISKS

This is the risk that the Group may be unable to meet its liabilities as and when they fall due. The current structure of the Group investments takes care of liquidity requirements.

REPUTATION RISKS

This is the risk of damage to the Groups 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 arises 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

This is defined as intentional dishonest activities or wilful misrepresentation which may deprive or harm the Company. They can be perpetrated by management, employees or third parties.

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

BUILDING RESILIENCE THROUGH RISK INTELLIGENCE

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

Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. Specific key risks are also measured individually against pre-defined risk tolerance levels. 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 for 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 Group. 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 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.

1st Line of Defense	2nd Line of Defense	3rd Line of Defense
The Board	Risk Management Committees (RMC)	Internal Audit
Business Units	Risk Management Function	
Technical Support Functions	Actuarial Function	
Finance	Compliance Function	
Underwriting		
Claims		
Reinsurance		
General Support Functions		
Information Communication Technology		
Human Resource & Administration		
Marketing & Communications		

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.

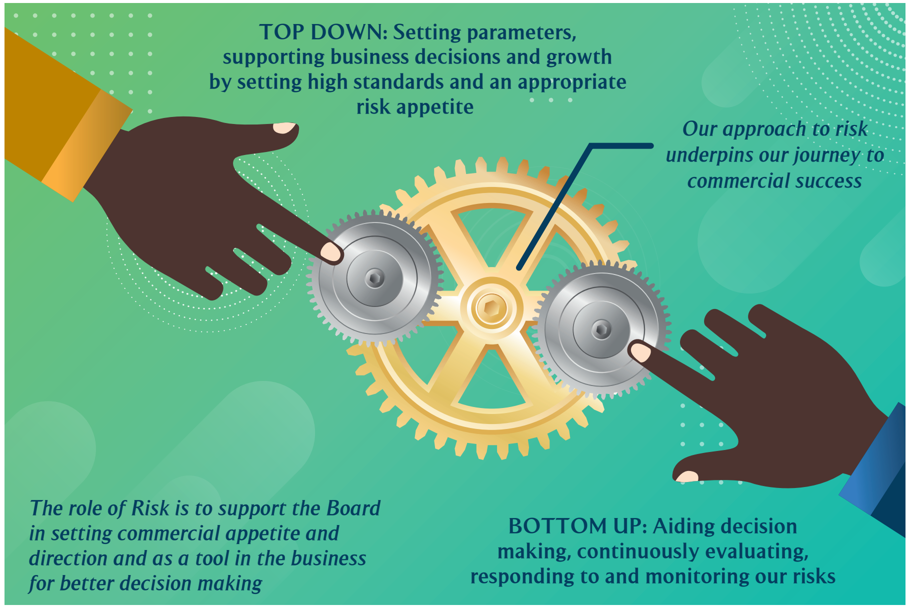
RISK MANAGEMENT FRAMEWORK

We have established and implemented a risk management framework as well as policies and procedures for managing risks within the Group. 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 group while identifying, quantifying and managing risks. The Group 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

FUTURE OUTLOOK

Dynamic Risk Assessment Approach

As the risk landscape becomes even more complex, levels of interconnectedness between risks demands the consideration of contagion and velocity as indispensable analyses of risk. We will explore emerging risk management thinking which suggest the dynamic risk assessment approach; 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 result of this analysis is used to generate a risk neuro-network, which can then be used for decision making.

Risk Culture Framework

In the shorter term however, we have embarked on a project that will help our Group further integrate risk management in the day to day operations as well as keep all process owners aware of the risk landscape as well as new opportunities that we can exploit. This is to be done through the implementation of a risk culture framework which defines the levers that contribute to the evolution of a strong risk culture, as well as the minimum criteria that should be met at Group and departmental level. It is envisaged that this process will tie formal measurement of risk-culture-related behaviours to employee performance assessment.

Our Risk Appetite

We will continue to review our risk appetite to ensure that it aligns with our Capital Management strategy. A re-assessment of our risk tolerance and appetite will ensure that the risk implications of plans are understood, and that our business and investment plans adhere to the risk appetite framework which is fit for purpose.

The risk appetite framework establishes the overall approach through which the Group practices controlled risk-taking.

Environmental, Social & Governance Risk Management

We will also continue to review and analyse our environmental and social performance bench-marks in line with the Board-approved Environmental and Social Risk Policy.

MANAGING FUTURE RISKS

Cognisant of the fact that an adaptive approach that builds risk intelligence in a volatile, uncertain, complex and ambiguous (VUCA) world is necessary, review of emerging risk forms a key element in our risk management process. This process involves the assessment and monitoring of risks in broader context in which the Group operates in terms of the political and economic landscape, industry, labour and financial market trends. This process involves analysis of research materials and industry benchmarking studies by institutions such as the World Economic Forum, Institute of Risk Management, the World Bank and Control Risk. These serve as an early warning system.

CLIMATE CHANGE

With the Earth's 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 future of generations to come. It is a risk that can no longer be ignored.

We have partnered with 22 of the world's largest insurers - representing around 10% of world premium and USD 5 trillion in assets under management - to develop a new generation of risk assessment tools designed to enable the insurance industry to better understand the impact of climate change on their business. As the only African member of this pilot group, we are developing analytical tools that will be used to pioneer insurance industry climate risk disclosures that are in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

We are also actively working towards reducing our carbon footprint. Looking to the future, we intend to review our underwriting and investment policies to be in line with the Principles of Sustainable Insurance (PSI) as well as the Principles of Responsible Investments (PRI).

CYBERSECURITY RISK

According to the World Economic Forum Global Risks Report, cyber-attacks are perceived as the global risk of highest concern to business leaders in advanced economies. Cyber security risks are growing in prevalence and disruptive potential. 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 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.

At Group level, we have a cybersecurity 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 investment in cyber security tools that can assist in mitigating this risk.

On the industry front, we are at the forefront of a project coordinated by the Africa Cyber Immersion Centre and other industry partners to develop a much-needed 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.

SOCIAL/DEMOGRAPHIC CHANGES

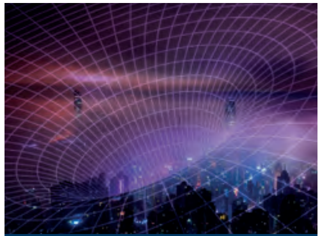
We continue to be influenced by distinct demographic and social phenomena with a strong impact on socio-economic balances. Kenya's growing youthful population, a dynamic private sector, highly skilled workforce and its pivotal role in East Africa makes us a country with great potential. We recognise that the successful underwriter is one who will provide sufficient flexibility to support individuals following substantially different life and career paths.

The proportion of Kenya's youth to the population is among the highest globally, presenting the economy with a vibrant manpower if put to productive use. We boast of a relatively young population whose average income capacity is limited. There is the growing middle class with urban dwellers constituting 26% of the population. The millennials are in excess of 10 million with most of them being educated. Kenya leads the region in youth unemployment at 17.3% compared to only 6% for neighbouring Uganda and Tanzania each. Kenya's unemployment crisis has been blamed on sluggish growth of formal sector jobs even as the country continues to produce thousands of university graduates every year. Intermittent, part-time and informal employment or self-employment, with frequent career changes, is becoming the norm.

We continuously monitor the changes in demographics as we develop and improve on products that are more accessible and flexible to accommodate unique needs.

In treating our customers fairly, we provide customers with complete and easily accessible information on products and services. A key aspect of this is helping them understand factors that may affect their income capacity as they accurately assess their capacity to save as well as identifying their current and future 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. There is still however the traditional customers who prefer conventional products distributed via conventional means whom we still serve.



A.I. & 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.

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 Group grow richer and more diverse, we are able to make decisions more accurately, more consistently and more. 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.

TERRORISM & THREATS TO NATIONAL SECURITY

High profile terror attacks in Kenya has increased over the past few years. The alert level has been high in light of the rise in al Shabaab activity in Kenya's border counties and continued warnings concerning attacks particularly against US and Western targets.

Aside from that, the changing nature of these attacks are posing challenges in managing disruption and associated costs. Setting assumptions for pricing, measuring accumulations and reserving for terrorism and political violence policies is challenging given the limitations of the data and uncertainties in the future developments of the risk profile.

Looking at products available in the market, terrorism coverage was traditionally designed to cover property damage but significant losses have occurred in recent attacks from business interruption. Coverage may also be insufficient for small business and individual travel policies. This, however, brings with it new opportunities.

In 2019, specific attention was given to understanding and managing terror and security related risks.

We documented a stand-alone Security Risk Management Strategy that takes into account relevant security management and operating procedures which we have adopted across the Group.

We have also reviewed the Political Violence and Terrorism product and enhanced it to include the current market requirements. Through this enhanced cover, we have taken on new clients as we seek to help them mitigate against these risks.

NATURAL RESOURCES 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 wellbeing of future generations, it exposes companies to business interruption and liability issues as a result of these risks.

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.

05

OUR VALUE CREATION

ICEA LION
GENERAL INSURANCE

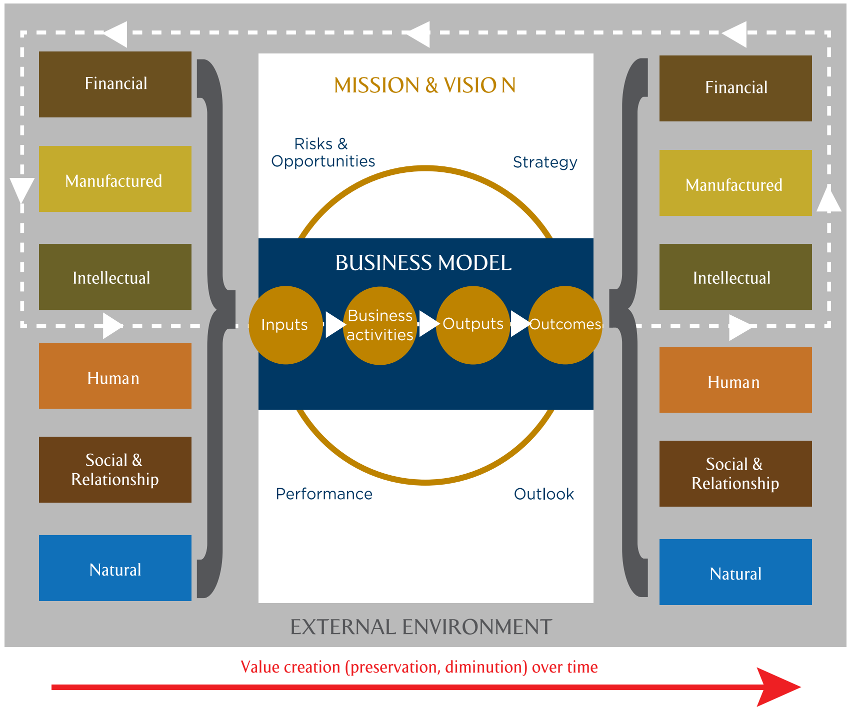
OUR APPROACH: THE 6 CAPITALS MODEL

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 long-term viability of an organisation's business model and, therefore, its ability to create value over time. The Capitals must therefore be maintained if they are to continue to help organisations create value in the future.

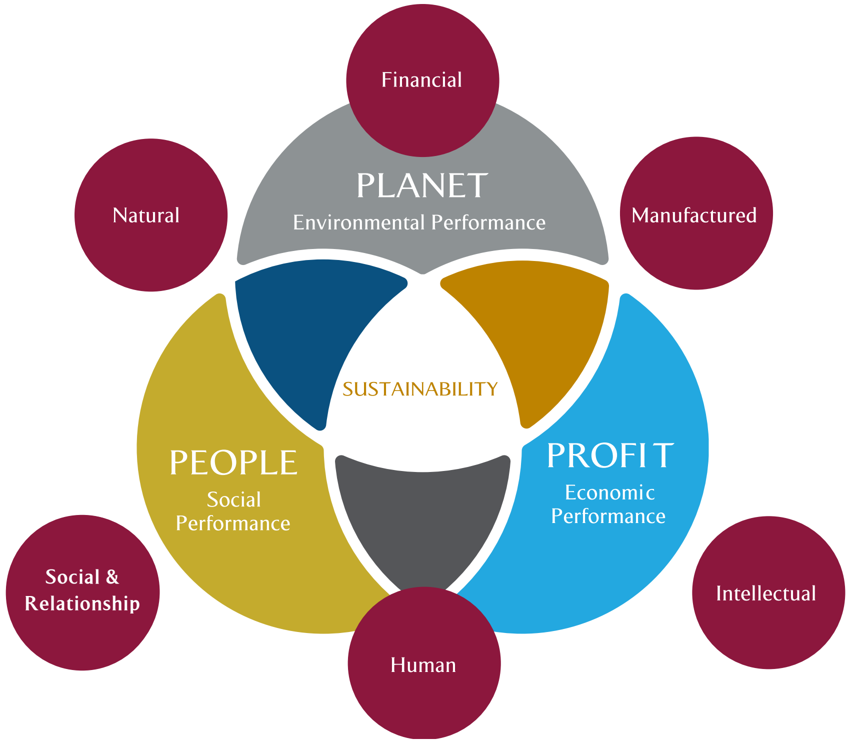
Based on the International Integrated Reporting Council (IIRC) framework, shown in the diagram below, the following capitals are inputs to our business model.



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

Having embraced the shared value approach, we recognise that societal needs, not just conventional economic needs define markets. Shared value refers to policies and operating practices that enhance the competitiveness of an organization while simultaneously advancing economic and social conditions in the communities it operates. We further recognise that social harms or weaknesses frequently create internal costs for institutions such as wasted energy, costly accidents and the need for remedial training to compensate for inadequacies in education.

We accept that addressing societal harms and constraints do not necessarily raise costs for organisations, because through them we can innovate by using new technologies, operating methods, and management approaches; and as a result, increase our productivity and value creation. 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. It includes alignment with and support for an organisation's governance framework and risk management approach, and ethical values such as recognition of human rights.

The ability to understand, develop and implement an organisation's strategy, loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate are also included here. Other aspects include employee turnover, labour/management relations, occupational health and safety, training and education, diversity and equal opportunity.

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 includes our institution 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, and 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, and indigenous rights 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 on infrastructure over the past few years, an essential component in building efficacy and efficiencies within our business model.

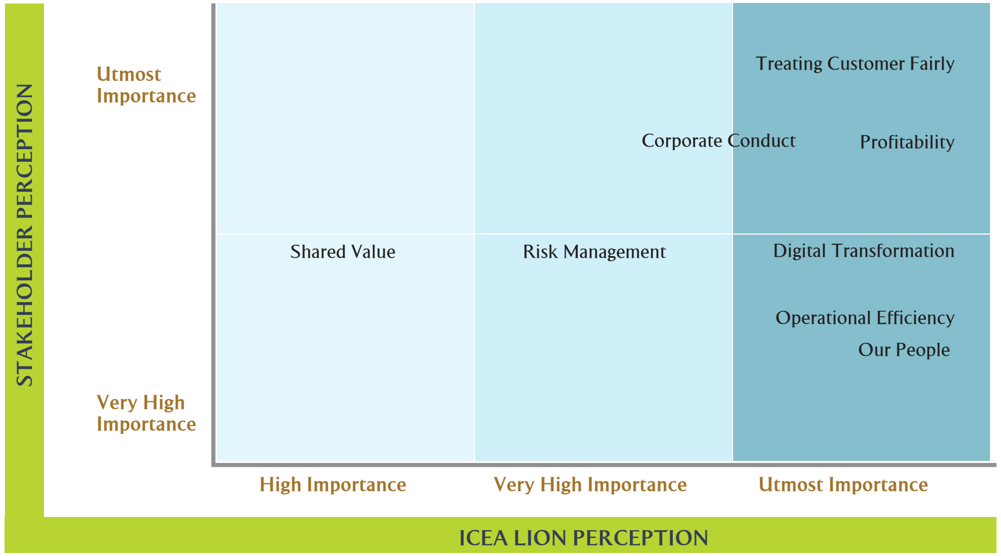
MATERIALITY ASSESSMENT

OUR MATERIAL ISSUES

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

This section highlights 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 and the degree of stakeholder perception and the Groups perception.
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
• Integrity • Ethics • Values • Governance • Consistency • Trust • Compliance • Stakeholder engagement • Transparency • Confidentiality Professionalism Values • Brand	• Inclusivity • Diversity • Sustainable Practices • Local Procurement • Gender parity • Remuneration • Financial inclusion	• Culture • Trust • Innovation • Agility • Flexibility • One stop Financial Services Shop • Brand Consistency • Data Accuracy	• Shareholder Value • Sustainable Growth	• Conversion Rate • Lead Generation • Data & Analytics • Client Engagement • Business Partner Connectivity	• Retention • Skills-matching • Culture • Succession • Training • Placement–Matching • Remuneration • Promotion • Disability Consideration • Employee Engagement • Competence Rewards • Wellbeing	• Turn-around time • Reliability • Convenience • Automation	• Resilience • Succession Strategy, • Proactive Anticipation • Prudence • Compliance • Diversification • Audit results • Regulator inspection results • Standard Operating Procedures • Policies Monitoring Due diligence

HUMAN CAPITAL

OUR PEOPLE ARE IMPORTANT TO US

We continue to create and maintain an environment that attracts and retains the best staff and have put in place the conditions and structures to enable all our People to fulfil their career aspirations in a manner that is not only "Employer of choice" for them, but also challenges them and supports their development.

The following diagram indicates some of our people engagement programs.

LEARNING & DEVELOPMENT AT THE CORE OF OUR PEOPLE STRATEGY

Coaching For Engagement & Productivity

One of the key scorecards for any organization is its learning agility and the ability to adapt to the changing business environment. More importantly, transformational learning is the most effective way to keep abreast with the technical, behavioural and cultural changes of the industry and the consumer.

As part of the transformational learning agenda and leadership development strategy, in 2019, the Group took nine managers through an intensive coaching training that will assist them to adopt a more facilitative style of management, guide staff in solving their own problems and take responsibility for results. Coaching training for the second cohort of managers is currently on going.

With this pool of certified coaches, ICEA LION is entrenching a coaching culture in the organisation for maximum staff engagement and productivity.

Talent Xcelerator Program

Talent management and succession planning is necessary to develop key people to fill future senior leader positions. The Group took nine high-potential mid-level staff through the Talent Xcelerator (ALX) program last year through the Africa Leadership University, and another ten staff are set to complete the program in 2020.

This program equips staff with the necessary competencies to take up leadership positions, and to be accountable and responsible in their current leadership roles. The trained staff have taken up the leadership of various key projects at ICEA LION Group.

Our Globally Certified Coaches

Our ALX Graduates

HEALTH & SAFETY

Ensuring a safe and healthy workplace is a fundamental part of our corporate responsibility. Our inclusive approach to Occupational Health and Safety (OHS) includes all persons who are employed by the Group. Our vision is zero major incidents and we work actively to prevent injuries and work-related ill health. To avoid incidents and prevent work-related hazards, we apply a risk-based approach that is based on transparency and inclusiveness.

We have over the past year made progress towards our target; to increase frequency and quality of incident reporting and handling, and to increase knowledge and awareness within incident handling for selected job roles. Competence and awareness are key to reducing major incidents. There was one workplace injury reported in our Mombasa branch.

Our Health and Safety committee, headed by a Senior Officer, is charged with ensuring the best practice and regulatory standards in Health and Safety are met. As a testament to this, ICEA LION received the 2019 Workplace Safety Award from the International Safety Training Centre.

It is unfortunate that there were 2 fatalities during the year unrelated to their official duties. We pay our dearly departed colleagues tribute below:

Lives so beautifully lived deserve to be beautifully remembered

We lost our beloved motor assessor Paul Giticha Ngare on 1st May 2019 to a road accident. Paul joined us in June 2011 to pioneer the motor assessment department of the then Insurance Company of East Africa (ICEA). Paul was a jovial colleague who was passionate about all things motor. Within a month, on 3rd June 2019, tragedy struck again with fellow motor assessor Michael Kimani passing on following a short but critical illness. Michael had been with Lion of Kenya (now ICEA LION General Insurance) for over 35 years and despite retiring about 15 years ago, was retained as a contract employee to continue offering his renown technical expertise for all our stakeholders. Even at his 71 years of age, Kimani was still the first employee in the office arriving at 5am daily.

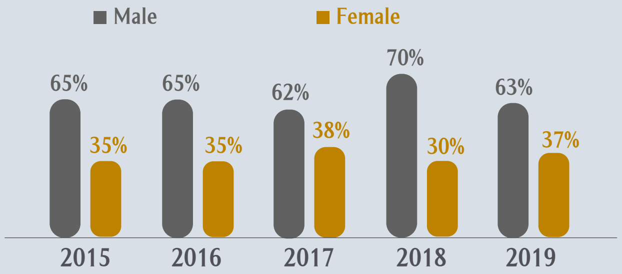
The entire ICEA LION family continues to grieve the loss of our two dedicated colleagues. They are dearly missed by us all and we will forever treasure the personal and professional sacrifices and contributions made whilst they were with us.

Ruth Musya receives a special recognition award for always going above and beyond the call of duty from our Chairman James Ndegwa

Joshua Wadeya receives the Above & Beyond the Call of Duty Award from our CEO Steven Oluoch

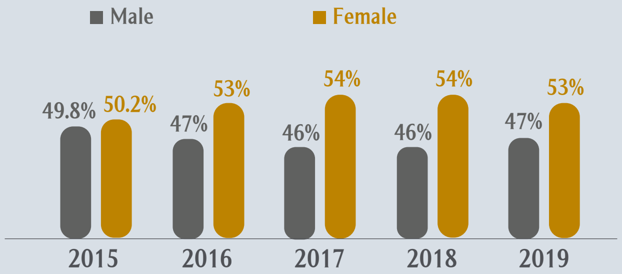
Paul Sagati receives the Rising Star Award for the Group Shared Services team from our ICEA LION Insurance Holdings CEO Dr. Caesar Mwangi

Management Staff Gender Balance (%)



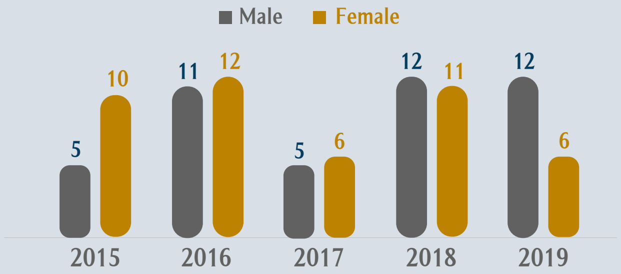
Over the last 3 years we have been constantly improving on the diversity of the management team with the number of females in management steadily increasing.

Other Staff Gender Balance (%)



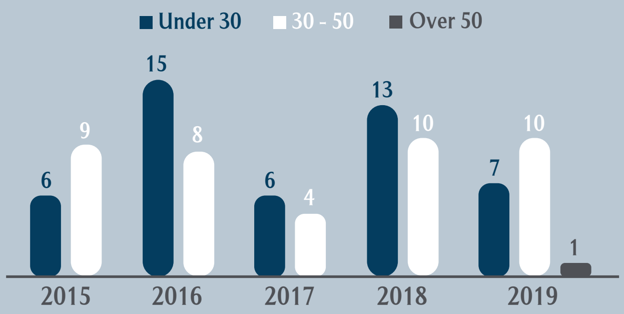
Over the last 3 years there has been a steady increase in the number of female employees as the company strives to empower the female gender at the same time not overlooking the male gender.

New Hires



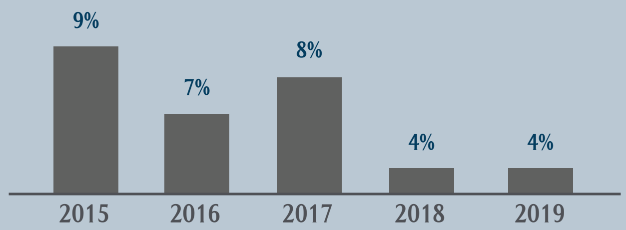
The company has been striving to accord equal employment opportunities over the years to both males and females.

New Hires by Age



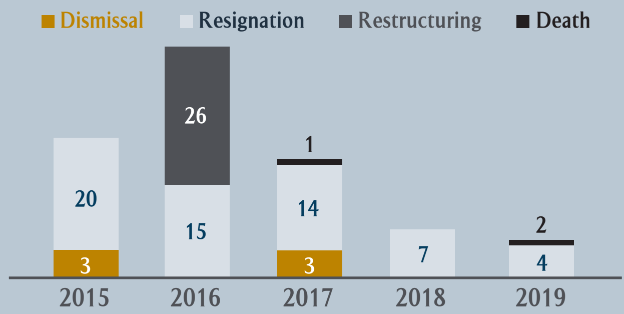
Over the years, the company has strived to maintain a fair mix of employees demographically.

Staff Attrition Rate



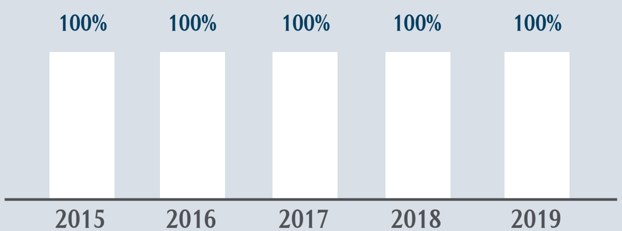
Over the years, the company has managed to retain its employees with average attrition rate over the last 3 years being approximately 5% which is within the risk appetite of the company.

Staff Separation



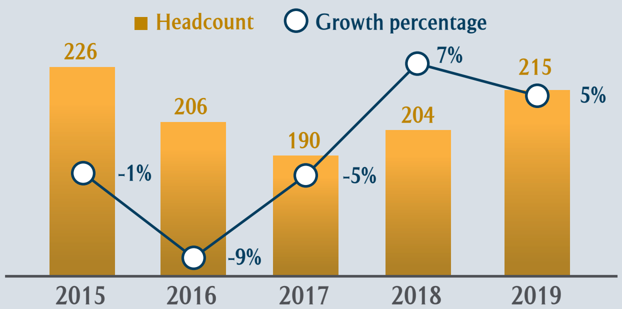
In the last 3 years there has been a decline in number of instances where we had to separate with an employee.

Retention Rate for Best Performing Staff



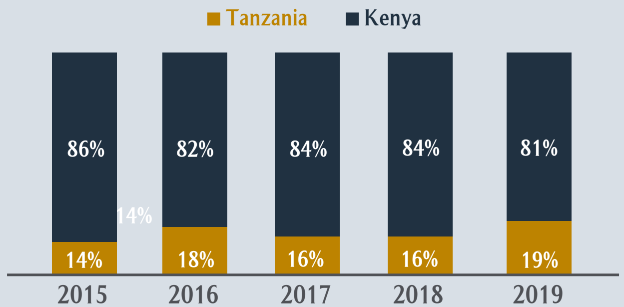
Over the years the company has been able to fully retain all of its best performing staff.

Total Headcount



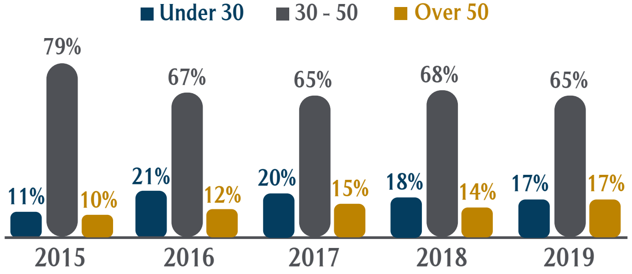
The company has been striving to maintain a healthy population over the years while making sure that the needs of all stakeholders have been met.

Regional Split of Headcount (%)



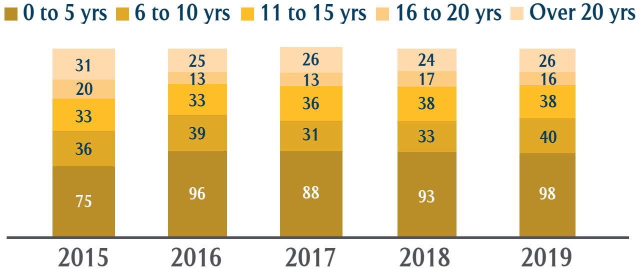
The group has maintained a steady count of employees across the region over the years with Kenya having the most number since this is where the Head Office is domiciled.

Headcount by Age Group (%)



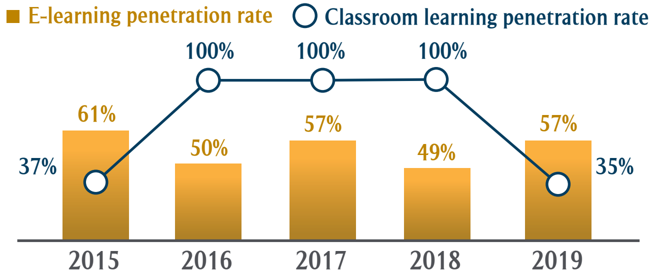
The employee mix over the years has remained steady and fair with majority of employees being between 30 - 50 years old depicting a fairly balanced demography.

Employee Years of Service (count)



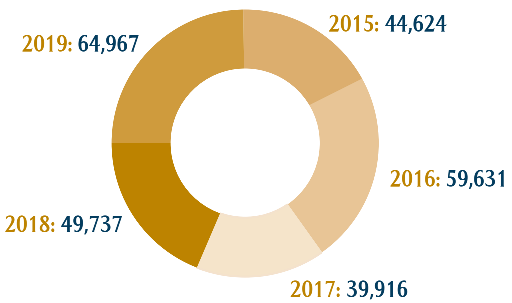
In the last 3 years, the average years of service for employees has been steadily increasing.

Employee Learning & Development



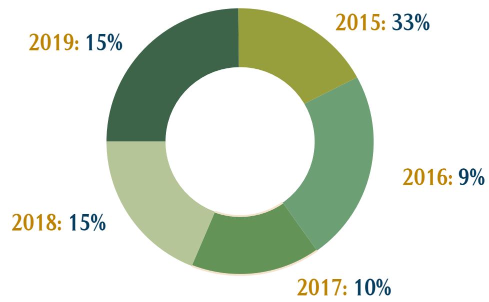
There was a steep decline in classroom penetration in 2019 compared to the previous 3 years where it was at 100%. Nonetheless, the percentage of e-learning penetration has improved.

Learning Costs per Employee (KShs)



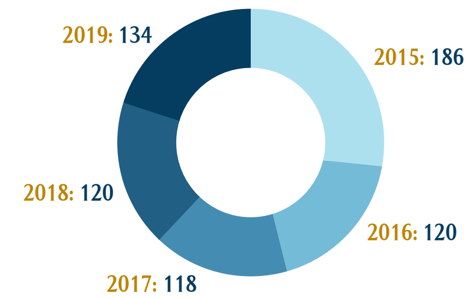
The learning cost per employee over the last 3 years has increased. The company is committed to ensuring its employees are equipped with the necessary skills to perform their daily duties.

Staff Involvement in Social Development Activities



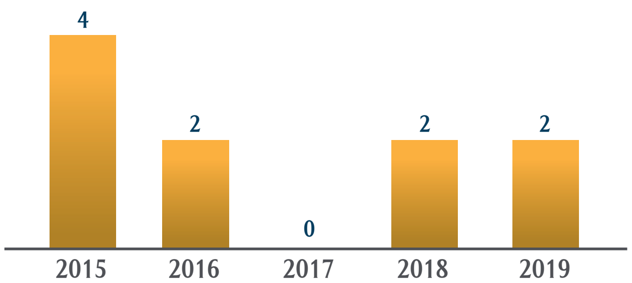
The number of employees involved in social development activities over the years has remained low.

Wellness Program



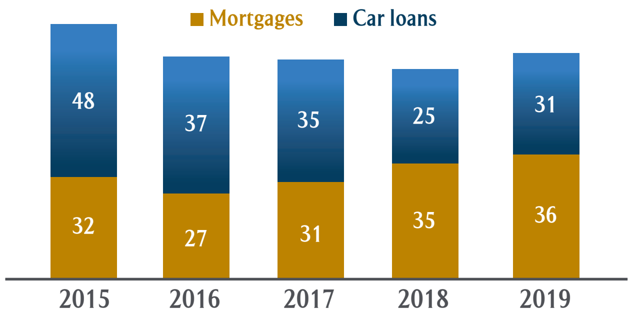
Over the last 3 years the amount of employee involvement in the wellness program has been gradually increasing as the company continues to create awareness on the importance of healthy living.

Staff Surveys



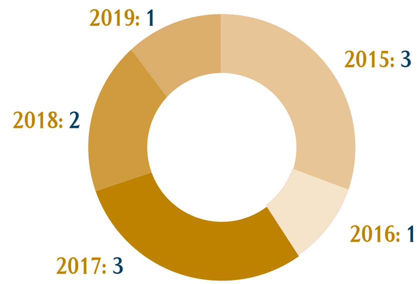
The number of staff surveys conducted over the last 2 years has remained constant.

Staff Benefits



Over the last 3 years, the number of employees who have benefited from mortgage has increased while the number of employees who have benefited from the car loan has been on the decline.

Exchange Programs



Over the years, the number of employees who have had the opportunity to have working experience out of their assigned jurisdiction has remained low.

INTELLECTUAL CAPITAL

OUR MOTOR INSURANCE ONLINE PORTAL

Our Industry First

In the past half a decade or so, powered by the increasing penetration of internet and smartphones, technology companies are dramatically disrupting industry after industry. Customers have started expecting the same quality and speed from all service providers, including insurance. ICEA LION in addition to other insurers have been compelled to bring in fresh focus on technology based on three major developments.

i. **Advent of on-demand marketplaces:** On-demand technology platforms are vigorously building service infrastructure, optimizing operations, logistics and technology; and customers want similar levels of technology-led service experience from other services as well.

ii. **Rise of the millennials:** Internet being a given to the millennials, research studies have proven that these high-income individuals strongly prefer platforms that allow them to interact at their own pace. But digital platforms of most insurers today are designed to cater to conventional consumers, and are still reliant on toll-free call centres to provide sales and customer service.

iii. **Pressure on margins:** With constant pressure on margins, most insurers look at technology to bring in automation and drive operating efficiencies.

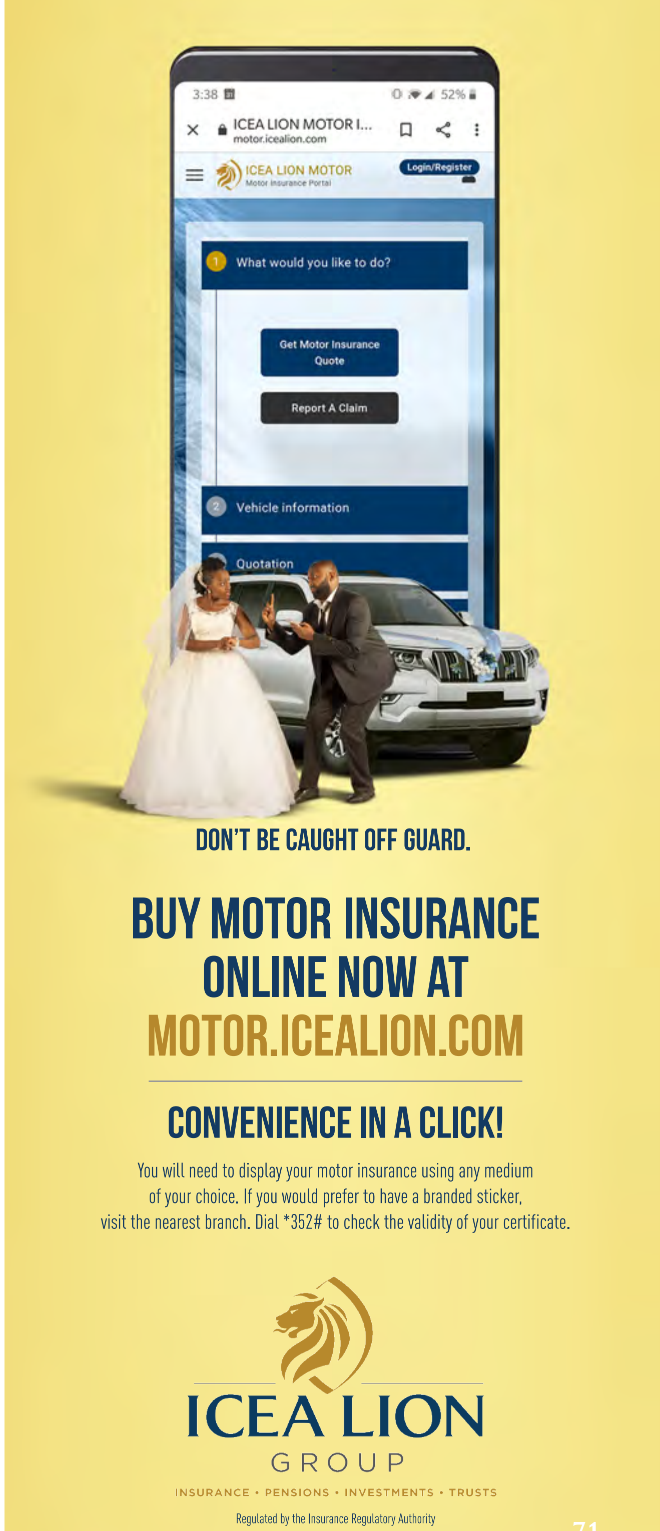
Given this compelling need, our insurance industry will play catchup in the next few years if we ignore digitalizing as the focal point to change the way they market, interact and service.

IN-HOUSE DEVELOPMENT OF THE PORTAL

Motor insurance is a key entry product for our industry and thereby the one with the greatest needs to step into the digital age. It is all the above in mind that our team developed and delivered another digital first for the industry. Our motor insurance online portal was developed in-house by a cross-functional team. Our portal allows customers to purchase private motor insurance on our portal and get a digital motor certificate and an electronic version of the policy document emailed to their inbox. The process takes about 5 minutes and has a chat functionality that accords assistance to users. Further, our portal also allows the customer to report a claim online rather than fill in forms and deliver to us. Verification of the validity of their virtual certificate can be done by dialling *352# or via the Association of Kenya Insurers (AKI) Verification App that is downloadable from both Apple Store and Google Play Store. This is true convenience in a click as our advertising campaign indicates.

RESPONSIVENESS TO THE NEEDS OF THE TIME

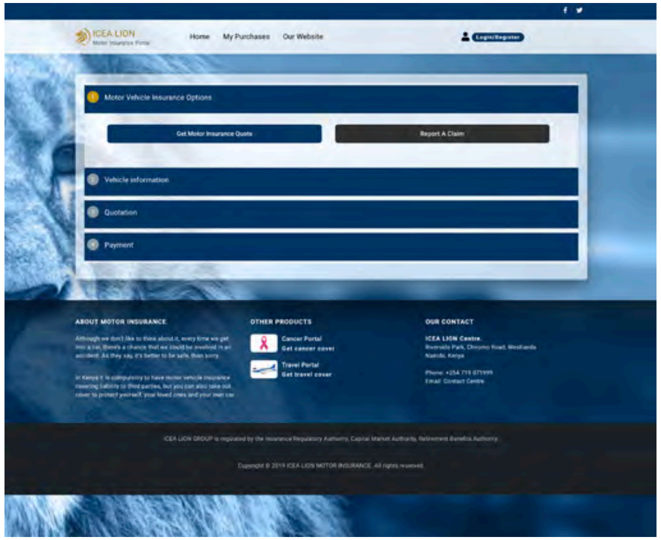
Our motor product truly responds to the e-commerce needs of a sector that is overdue for digitization. Indeed, the major pain point of the bulky proposal form is now reduced to a few essential steps fillable online. Further, this accords us an opportunity to grow in market share as we simultaneously reduce our overheads and expenses. The reduction in delivery and printing costs can only be a plus for the environment and the customer connectivity in addition to enabling insurers curb fraud. Significantly, the analytics from the online engagement with all who interact with the portal will not only help us improve our customers experience but truly innovate for our customers.

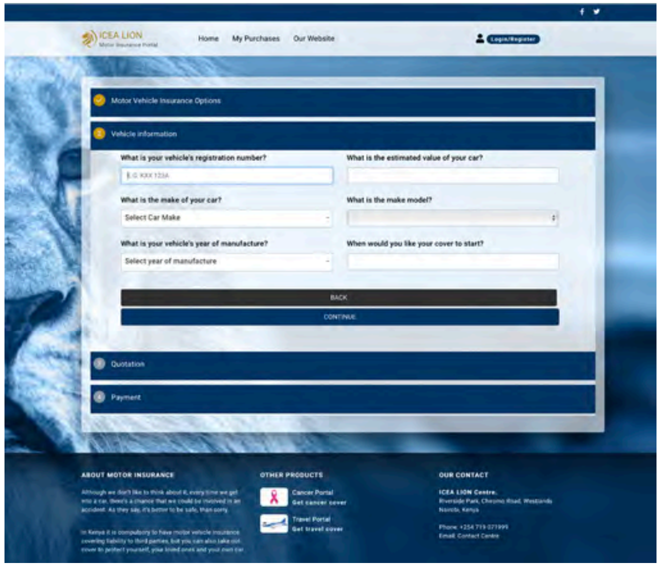


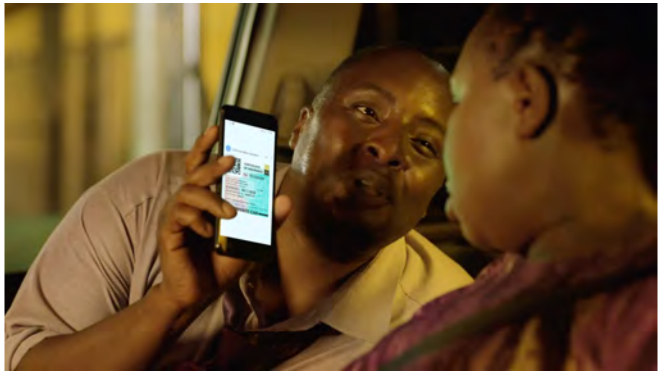
LAUNCH CAMPAIGN IMAGERY

The new portal comes just a few months after the Association of Kenya Insurers (AKI) issued a timeline for the delivery of the virtual certificates by its member insurance companies. The industry aims to phase out the physical certificate by mid-2020. ICEA LION is delighted to have led the East Africa region in this regard.

Visit Motor.ICEALION.com to buy your motor insurance now.







The Advertising Campaign depicts high stake moments when you really need urgent insurance such as millennials on a road trip, a husband with his pregnant wife, a mother en route for a trip, a young man who thinks the police have got him and a bride en route to her church for her wedding.

Motor.ICEALION.com saves the day.

NATURAL CAPITAL

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), 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.

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 promote raw materials use minimization, through the use of reduce, reuse, recycle and dispose methodology;
- We support the reduction of greenhouse gas emissions which contribute to climate change;
- 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; and,
- We conduct energy audits and implement the recommendations given for efficient use of energy on site. For example, we have replaced the light bulbs with LED lighting as a means of reducing energy use.

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; and,
- Do business with companies that contravene international environmental agreements that have been enacted into the law.

RISK SURVEYS

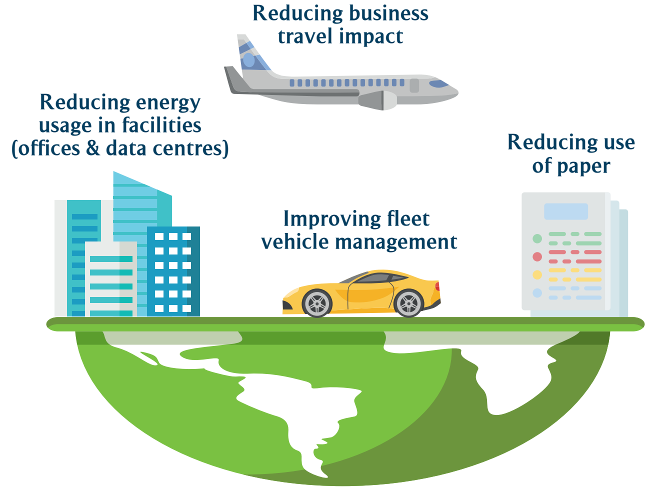
As part of our underwriting and claims management processes, we have embedded risk surveys as a critical component. Risk surveys are done prior to underwriting various key accounts and a discussion is held with our insured on various ways in which they could mitigate risk. In our business portfolio are various clients in the hospitality industry largely located at key national reserve areas and whose properties are built close to river banks for tourists' attraction. Risk surveys discussions have greatly assisted our insured in mitigating risk as well as protecting the environment as they further their business.

I SEE A LION CAMPAIGN

As part of preserving our East Africa's natural capital, the group has invested on I SEE A LION Campaign aimed at ensuring that future generations get to see lions roam freely in the wild and future. The campaign entails partnering with Kenya Wildlife Service (KWS) and conservation partners to enable a nationwide lion census and hence facilitate identification of where the lions are most vulnerable and at risk. This is a true testament of ICEA LION supporting sustainable initiatives and positively impacting people, planet and profit.

RESPONSIBLE CONSUMPTION

We continuously work to reduce carbon footprint of our activities using a four-pronged approach namely: - The business continues to manage the above four activities and this is evidenced by the level of costs incurred on various parameters including: -



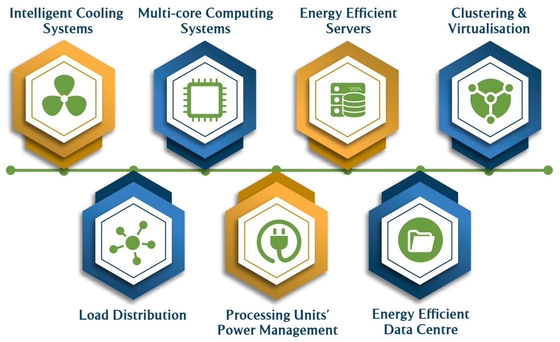
The business continues to manage the above four activities and this is evidenced by the level of costs incurred on various parameters including: -

Cost Line	2019 Kshs'000	2018 Kshs'000	2017 Kshs'000	2016 Kshs'000	2015 Kshs'000
Electricity	4,912	5,059	6,056	4,749	5,368
Paper costs	15,880	13,658	13,093	10,652	13,067

EMBRACING GREEN TECHNOLOGY

With rising energy consumption, global warming and e-waste, we have deliberately taken into serious consideration the concept of green computing as our contribution to best practice for sustainable development. We have aligned our ICT processes and practices to find innovative and alternative ways of using ICT across the organisation and beyond to deliver environmental benefits.

The diagram below shows these initiatives :



Green Deployment

Virtualisation:

Our data centre runs all our core application systems on a virtualised environment that has eliminated the need for dedicated servers for applications, allowing for the running of multiple operating system on minimal hardware at optimal performance. Our server footprint has reduced 15-fold.

Cloud Computing:

We have migrated some of our processes to cloud computing providers who are focused on environmental sustainability. We have adopted cloud deployments for services such as email, business intelligence, back-ups and disaster recovery with sustainability cloud providers such as Google Cloud©, Microsoft Azure© and Chartio©.

Green Disposal & Re-use

We have partnered with our vendors for recycling used equipment and parts such as inverter power back-up batteries which are collected upon expiry of recommended run time and recycled in socially and environmentally desirable processing and re-use methodologies. Replaced computing equipment are appraised and reused within the organisation.

Data Centre Sustainability Improvements

In building our data centre towards eco-friendliness, the following targeted initiatives have been implemented.

- **Air Reticulation:** Our data centre design has incorporated the separation of the cold and hot aisles to reduce cooling power required. With this, our data centre air conditioning systems settings have been adjusted up by 4°C leading to a reduction in energy consumption.
- **Cooling System:** We deployed in-row self-contained air conditioners by Tripplite© that provide large amounts of cooling power for much less electrical power compared to traditional cooling systems. This combined with air reticulated design of the data centre has resulted in reduction of cool air leakages and allowed for the reduction of run time of the installed air conditioners from full time run to every other week.

Green Use of Technology

- Wireless Telecommuting: Our Head Office has deployed wireless connectivity across all offices and meeting rooms. This allows meetings to take place without the need for paper reports.
- Paperless Processing: We have implemented end to end document processing system and automated workflows which has ensured elimination for paper flows across offices.

FUTURE OUTLOOK

Looking to the future, we will continuously ensure employees are aware of and are committed to the Environmental Management System through training, site posters, tool box talks and briefings. We also intend to establish a Group-wide baseline for our performance and set KPIs which will be tracked on an annual basis.

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 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 KWS and other world renown local conservationists 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.

At ICEA LION, we like to think of ourselves as the 'King of the Financial Jungle'. It was a natural fit to inculcate the passion needed to safeguard the future of the Lion in Kenya; that almost forgotten noble and iconic beast that has unwittingly been relegated by the grand and beloved tusked giants, yet is a central part of this country's heritage.

Following sessions and conferences held with Kenya Wildlife Service (KWS) at their Carnivore Conference, the passion to save this vulnerable and threatened icon of East Africa was born. The adopted project not only demonstrated true sustainability in the viability of projects that ICEA LION could support, but also impacted the socio-economic prosperity of East Africa.

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.

THE NATIONWIDE LION CENSUS:

“Charity begins at home” the old adage goes. As such, it is imperative that we impassion our family at ICEA LION to understand the intricacies of lion conservation. As a result, in 2019, we continued our partnership with Lewa Wildlife Conservancy to immerse our staff at the Conservancy for two days to be sensitised on the cause. There, they had an opportunity to see programmes instituted by Lewa and how these unsung heroes were transforming communities around them.

The Conservation Education Programme came into clearer focus in 2019. In August, the team from ICEA LION engaged with the students from Bardassa Mixed Secondary School to jointly learn about lion conservation. These students are raised to see the lion as a foe who is to be killed on sight. The trip achieved a lot of milestones, but most importantly the realisation that keeping these animals alive in their natural ecosystem has a direct impact on the country and the communities around them.

The imagery herein illustrates highlights from the life-changing engagements between the three parties.

MANUFACTURED CAPITAL

OUR GEOGRAPHICAL FOOTPRINT

Our manufactured capital includes our geographical footprint covering our 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.

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

- **Arboretum View located on Riverside Drive.**
- **Lion Place located on Waiyaki Way.**
- **Williamson House located on 4th Ngong Avenue. We have leased 13 other properties that host each of our branches.**

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

Lion Place

Williamson House

OUR ICT PLATFORMS AND INFRASTRUCTURE

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

We have invested heavily in infrastructure over the past few years, an essential component in building efficiencies within our business model.

Special focus has been on out digital channels such as our mobile apps and portals for our agents and business development officers, as we work towards realising our digital transformation.

Key elements of this include our travel, marine and motor insurance portals that enable online insurance purchase.

Below is an illustration of our Manufactured Capital with regards to infrastructure:

CREATING IN COUNTRY-VALUE THROUGH OUR FINANCIAL CAPITAL

TAXES PAID

Our contribution to economic sustainability in terms of payments to government in the form of taxes over the past three years is as follows:

TAX PAID 2015
366,200,000

TAX PAID 2017
516,224,000

TAX PAID 2016
344,830,000

TAX PAID 2018
685,773,000

TAX PAID 2019
519,153,000

VALUE CREATION

The funding for the Company's operations comes from shareholders and proceeds from investing activities. The funds are used to run the activities of the Company and generate value for our stakeholders.

SHAREHOLDER FUNDS
Group 2019:
Kshs. 5,129 Billion
Company 2019:
Kshs. 4,956 Billion

GROSS WRITTEN PREMIUM
Group 2019:
Kshs. 6,254 Billion
Company 2019:
Kshs. 5,856 Billion

TOTAL ASSETS
Group 2019:
Kshs. 13,789 Billion
Company 2019:
Kshs. 13,069 Billion

DISTRIBUTED VALUE
Group 2019:
Kshs. 3,125 Billion
Company 2019:
Kshs. 2,950 Billion

SUPPORTING LOCAL SUPPLIERS

The split of local and international spend is 98% and 2% for the last 3 years which shows a heavy bias towards local suppliers.

VALUE ADD STATEMENT

GROUP	2019	2018	2017	2016	2015
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Wealth Sources	7,517	7,201	8,327	8,598	7,584
Less; insurance ceded & costs of other services	3,607	3,455	3,510	4,234	3,643
Wealth created:	**3,910**	**3,745**	**4,817**	**4,364**	**3,942**
DISTRIBUTION:					
Policyholders	1,286	1,707	2,246	2,399	1,818
Employees - salaries, wages & other benefits	783	732	673	673	636
Benefits to sales agents	637	652	812	795	740
Taxes paid to government	218	178	242	100	128
Dividends to shareholders	200	200	200	200	200
Total Distribution	**3,124**	**3,469**	**4,173**	**4,167**	**3,522**
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation & amortization	102	69	47	69	57
Retained earnings	684	208	597	129	362
Total Retention	**786**	**277**	**644**	**198**	**419**
Total Distribution and Retention:	3,910	**3,745**	**4,817**	**4,364**	**3,942**

COMPANY	2019	2018	2017	2016	2015
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Wealth Sources	7,055	6,783	7,781	7,252	6,571
Less; insurance ceded & costs of other services	3,314	3,184	3,156	3,169	2,935
Wealth created:	**3,741**	**3,599**	**4,625**	**4,083**	**3,636**
DISTRIBUTION:					
Policyholders	1,255	1,642	2,201	2,311	1,738
Employees - salaries, wages & other benefits	710	657	588	594	562
Benefits to sales agents	564	603	749	704	660
Taxes paid to government	220	190	242	94	106
Dividends to shareholders	200	200	200	200	200
Total Distribution	**2,949**	**3,292**	**3,980**	**3,903**	**3,266**
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation & amortization	97	65	43	66	57
Retained earnings	695	242	602	113	313
Total Retention	**792**	**307**	**645**	**179**	**370**
Total Distribution and Retention:	3,741	**3,599**	**4,625**	**4,083**	**3,636**

CHIEF FINANCE OFFICER'S REPORT

ZIPPORAH CHEGE

We design, implement and maintain internal controls deemed necessary to enable preparation of an integrated report that is free from material misstatements

PERFORMANCE

The business has reported the highest profit before tax in its history of Kshs 1.1 billion and Kshs 1.11 billion at the group and company levels respectively. These impressive results arose due to the continued focus by management to grow the revenue numbers profitably. Gross Written premium growth at both group and company levels was at 5.3% and 4.4% respectively. The profitability was boosted by a growth in investment income on account of increase in rental income, flatlined performance on interest income and a growth in revaluation gains on investments in equities.

On the underwriting results, the group and company reported Kshs 238 million and 267 million representing a fivefold growth at the group level and a doubling in profits at the company level. This was on the back of streamlining of claims processes as well as careful selection of the underwritten book. The group and company total assets stood at Kshs 13.7 billion and 13 billion as at 31st December 2019 representing an 8.6% growth in both instances. This growth was due to increase in investment assets, increase in receivable balances arising from direct insurance arrangements as well as right of use assets on implementation of International Financial Reporting Standard No. 16 (IFRS 16) Leases.

The shareholders' funds at both group and company level grew to Kshs 5.1 billion and Kshs 4.9 billion respectively representing a 8.7% and 9.3% growth from 2018.

DIVIDENDS & SUSTAINING SHAREHOLDERS RETURNS

The Company paid an interim dividend of Kshs 50 million and has proposed a dividend of Kshs 150 million for the year ended 31st December 2019. With continued improved performance it is planned that the business will be able to consistently pay dividends to its shareholders. The return on equity as a function of profit before tax at the group and company level is 22% and 23% respectively up from 13% and 14% in 2018. On the other hand, the return on investments at the group and company level is 11% and 12% respectively up from 8% in 2018.

ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The group has adopted IFRS 16, Leases during the year that resulted into creation of a right of use asset, and an investment in sublease and lease liability on our statement of financial position. This has had the impact of increasing our Earnings Before Interest, Taxes and Depreciation (EBIDTA) but had minimal impact on our net income.

We continue to prepare for implementation of IFRS 17, Insurance contracts effective for annual periods beginning 1st January 2023 with a plan of running the IFRS 17 parallel reporting effective 2021. 2020 thus marks a critical year on this standard's implementation journey.

SUSTAINABILITY

The group is keen to ensure that all our business processes and activities are pinned on sustainability as a guiding principle. Focus is thus maintained on the concept of the Triple Bottom Line- People, Planet and Profit and our decision making is anchored to ensure that this focus is maintained at all times. The success of our stakeholders is thus as important to us as is our own success.

LOOKING AHEAD, WHAT DOES THE FUTURE FOR ICEA LION GENERAL LOOK LIKE?

Based on our 2019 value added statement, the business value to the Kenyan society grew by 4% to Kshs 3.7 billion. The business continues to focus on its mission which is to protect and create wealth. Staying true to its mission, the Group has continued to focus on innovation to ensure that it keeps abreast not only with emerging technologies but also is able to serve its stakeholders with ease. This has seen the management team focus on digitalizing their products leading to the launch of the online motor product in Quarter one of 2020.

Even with the increased focus in emerging technologies, it is clear that insurance remains a people business and thus the business continues to place significant emphasis in investing in its talent.

On the next page is a summary of our five year financial statements highlights and related graphs.

GROUP FIVE YEAR FINANCIAL HIGHLIGHTS

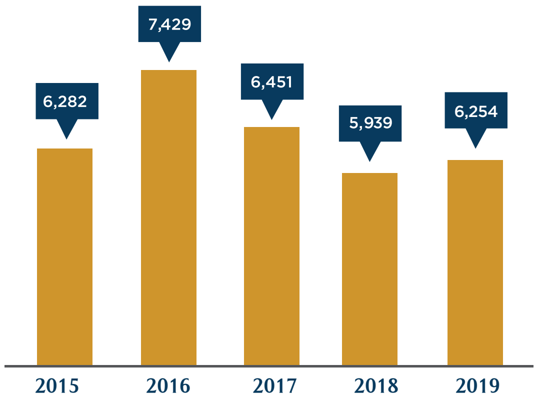
Summary Statement of Comprehensive Income	2019	2018	2017	2016	2015
Revenue	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**
Gross Written Premiums	6,253,833	5,938,870	6,451,009	7,428,804	6,282,137
Net Earned Premiums	3,005,595	3,175,195	3,902,445	4,035,944	3,389,738
Claims Incurred	1,285,974	1,706,875	2,245,931	2,398,505	1,818,082
Operating, Finance and Impairment Expenses	1,548,093	1,441,213	1,317,413	1,731,491	1,517,983
Underwriting Profits	237,951	46,855	183,751	116,710	118,821
Investment Income	1,093,698	745,712	1,003,902	849,039	893,256
Profit Before Tax	**1,104,319**	**590,823**	**1,039,121**	**429,078**	**689,969**
Taxation	218,367	177,693	241,740	100,215	128,171
Profit After Tax	**885,952**	**413,130**	**797,381**	**328,863**	**561,798**
Other Comprehensive Income	10,903	(1,596)	186,572	(116,870)	(231,988)
Total Comprehensive Income	**896,855**	**411,534**	**983,953**	**211,993**	**329,810**
Summary Statement of Financial Position					
Shareholders' Funds	5,129,181	4,604,852	4,507,479	3,723,526	3,761,535
Total Assets	13,789,566	12,658,127	13,495,806	12,665,284	11,982,721
Total Liabilities	8,660,385	8,053,275	8,988,327	8,941,758	8,221,186
Investment Assets	9,537,019	8,878,645	9,228,163	8,503,045	7,576,267
Key Ratios					
Loss Ratio	43%	54%	58%	59%	53%
Expense Ratio	21%	21%	18%	15%	19%
Return on Investment	11%	8%	11%	9%	9%
Return on Equity	17%	13%	23%	12%	18%

COMPANY FIVE YEAR FINANCIAL HIGHLIGHTS

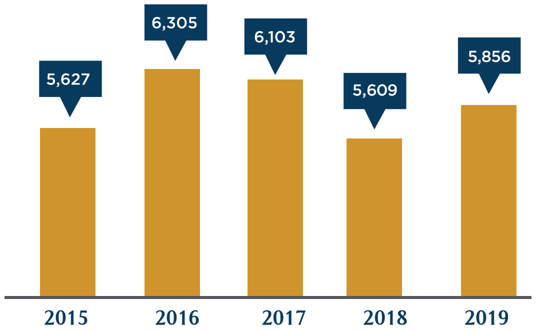
Summary Statement of Comprehensive Income	2019	2018	2017	2016	2015
Revenue	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**	**Kshs"000"**
Gross Written Premiums	5,855,812	5,609,278	6,103,330	6,304,587	5,627,152
Net Earned Premiums	2,840,981	3,036,033	3,737,910	3,824,576	3,145,662
Claims Incurred	1,255,384	1,642,077	2,200,520	2,310,662	1,738,268
Operating, Finance and Impairment Expenses	1,385,721	1,288,232	1,144,728	1,564,670	1,337,512
Underwriting Profits	266,672	123,125	226,828	141,720	116,131
Investment Income	1,070,357	713,365	956,135	799,664	837,795
Profit Before Tax	**1,113,672**	**632,864**	**1,044,217**	**407,274**	**618,473**
Taxation	219,350	190,275	242,370	94,125	105,786
Profit After Tax	**894,322**	**442,589**	**801,847**	**313,149**	**512,687**
Other Comprehensive Income	12,148	8,806	190,901	(88,099)	(189,082)
Total Comprehensive Income	**906,470**	**451,395**	**992,748**	**225,050**	**323,605**
Summary Statement of Financial Position					
Shareholders' Funds	4,956,320	4,421,791	4,263,540	3,470,792	3,495,742
Total Assets	13,069,643	11,996,071	12,860,725	11,880,352	11,103,707
Total Liabilities	8,113,323	7,574,280	8,597,185	8,409,560	7,607,965
Investment Assets	9,152,899	8,487,870	8,817,065	8,085,690	7,118,129
Key Ratios					
Loss Ratio	44%	54%	59%	60%	55%
Expense Ratio	20%	19%	15%	15%	18%
Return on Investment	12%	8%	11%	9%	9%
Return on Equity	18%	14%	24%	12%	18%

FINANCIAL HIGHLIGHTS

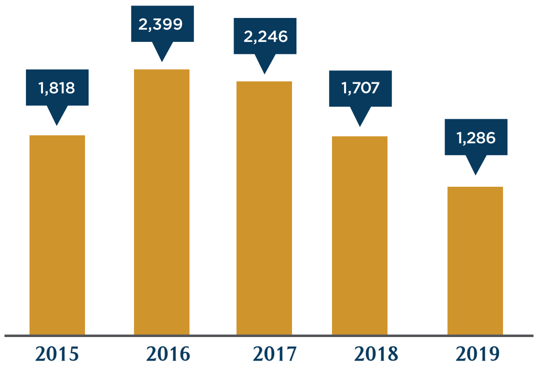
Group Gross Written Premiums



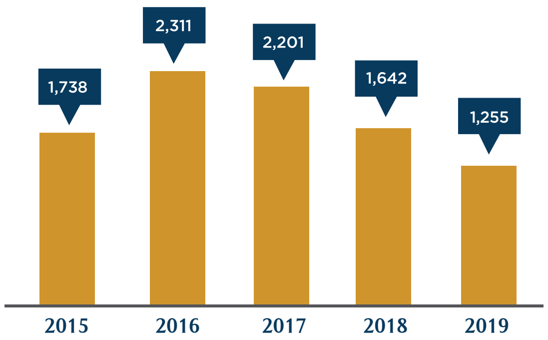
Company Gross Written Premiums



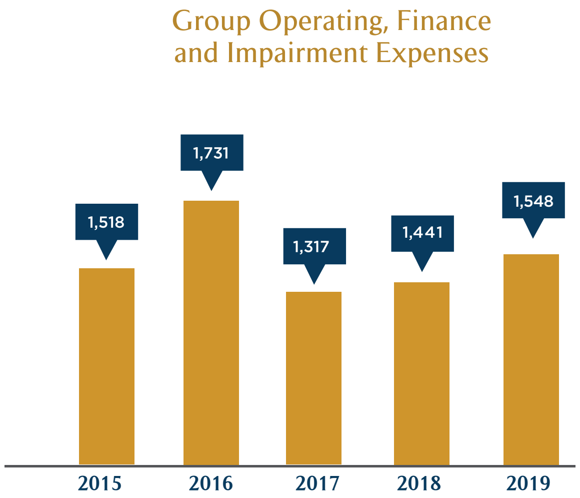
Group Claims

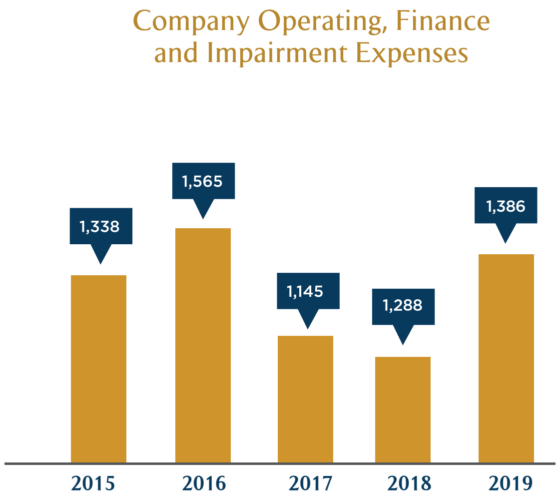


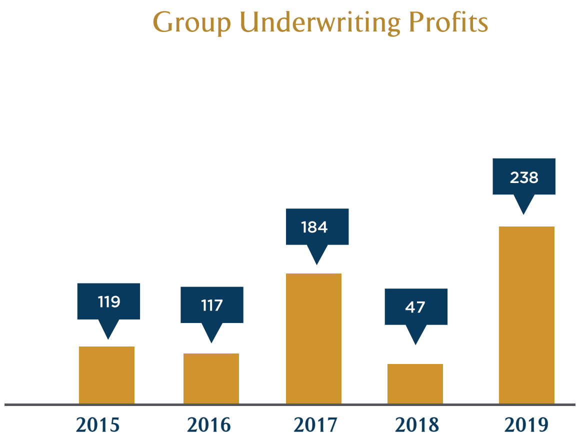
Company Claims

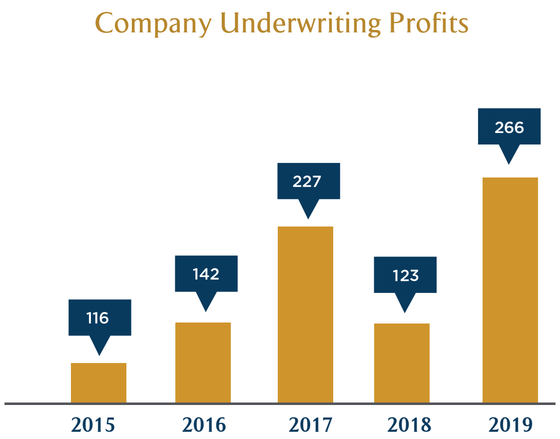


FINANCIAL HIGHLIGHTS (CONTINUED)

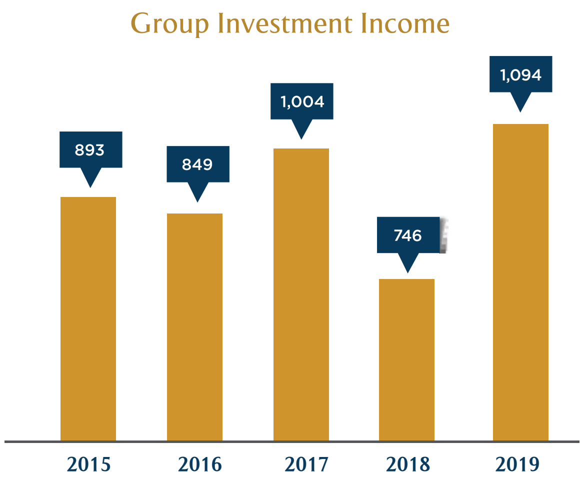


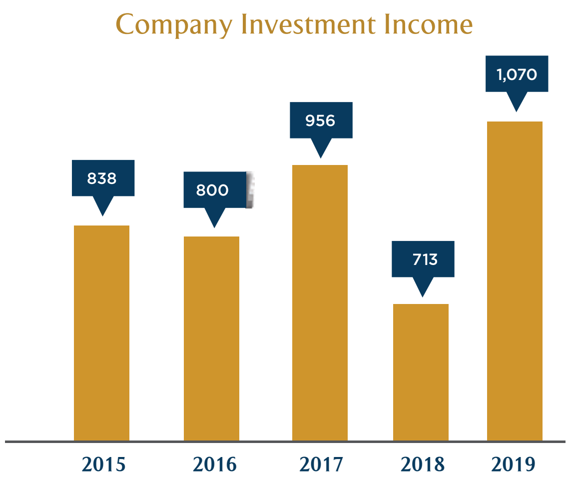


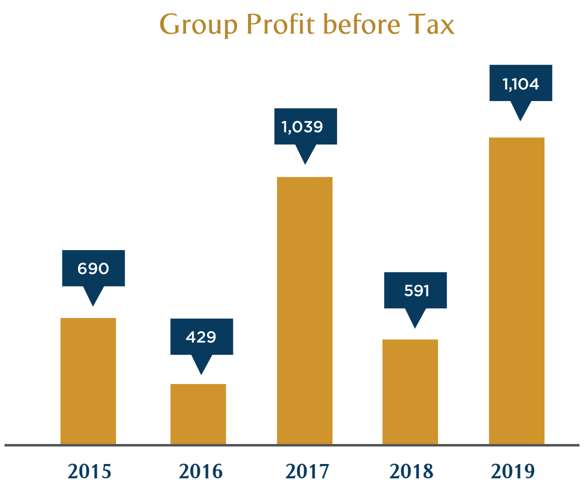


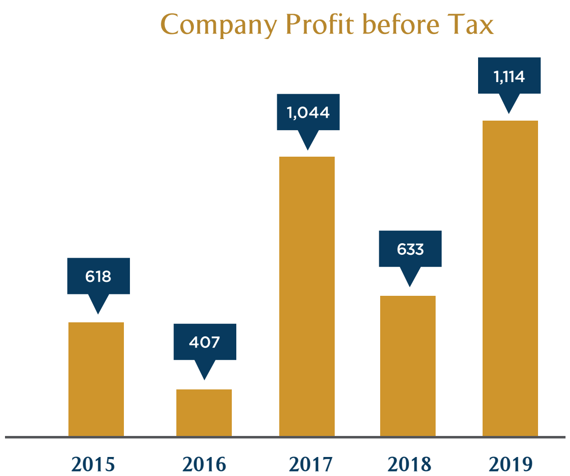


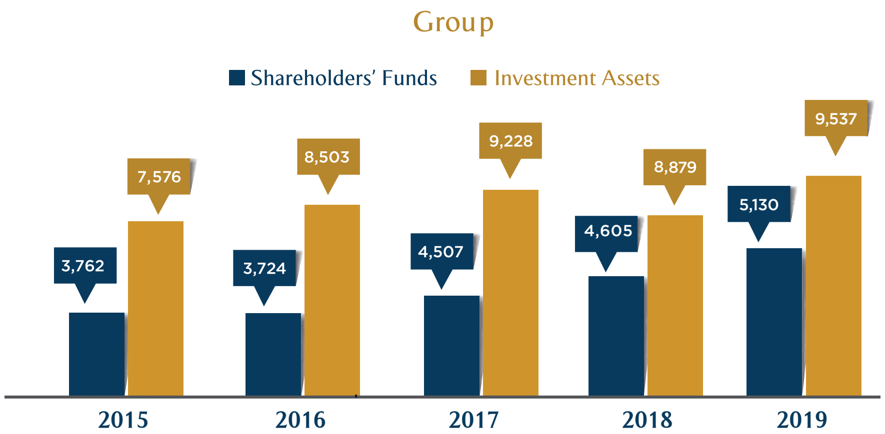
FINANCIAL HIGHLIGHTS (CONTINUED)

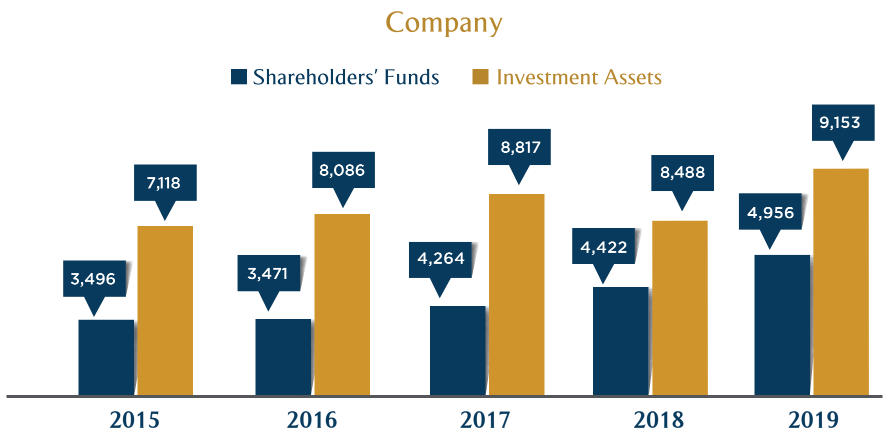


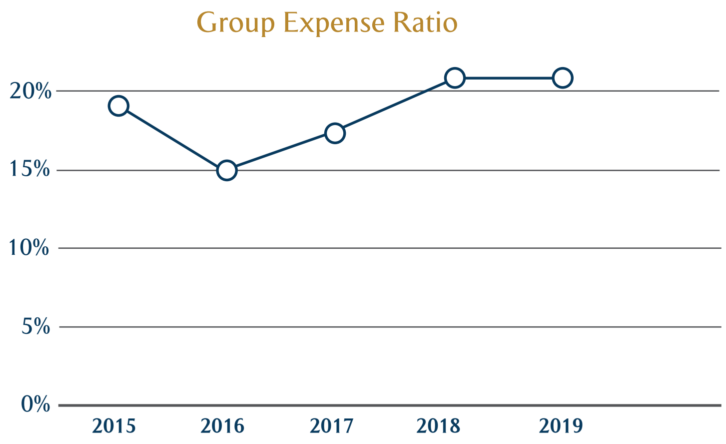


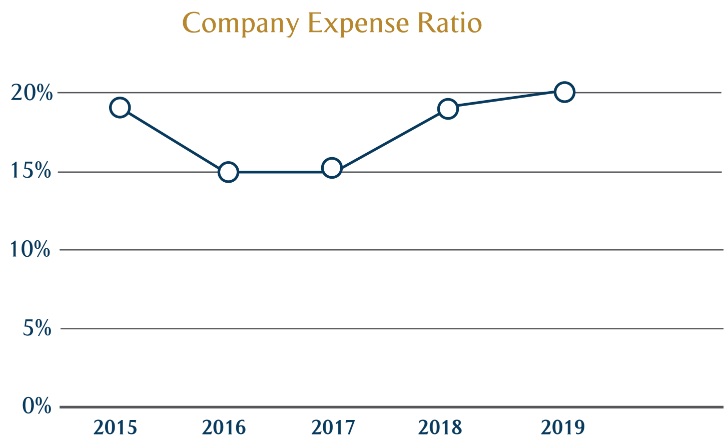


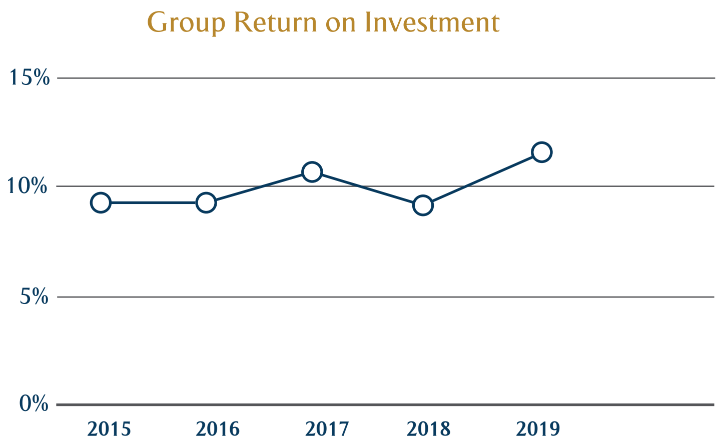


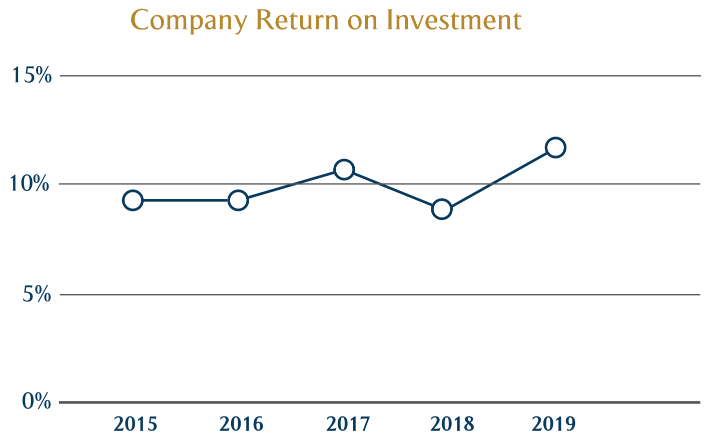

Group
Shareholders' Funds
Investment Assets
3,762
7,576
3,724
8,503
4,507
9,228
4,605
8,879
5,130
9,537
2015
2016
2017
2018
2019


Company
Shareholders' Funds
Investment Assets
3,496
7,118
3,471
8,086
4,264
8,817
4,422
8,488
4,956
9,153
2015
2016
2017
2018
2019


Group Expense Ratio
20%
15%
10%
5%
0%
2015
2016
2017
2018
2019

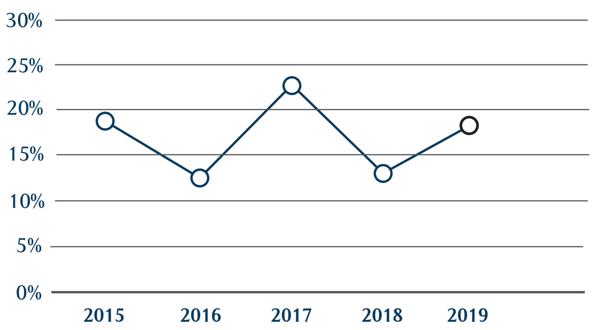

Company Expense Ratio
20%
15%
10%
5%
0%
2015
2016
2017
2018
2019


Group Return on Investment
15%
10%
5%
0%
2015
2016
2017
2018
2019

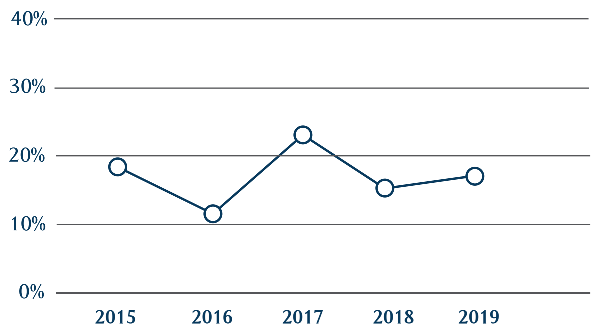

Company Return on Investment
15%
10%
5%
0%
2015
2016
2017
2018
2019

FINANCIAL HIGHLIGHTS (CONTINUED)

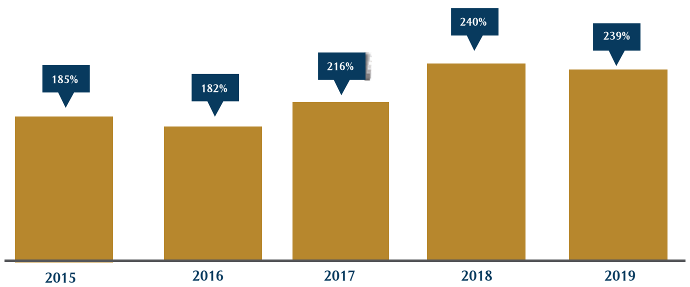
Group Return on Equity



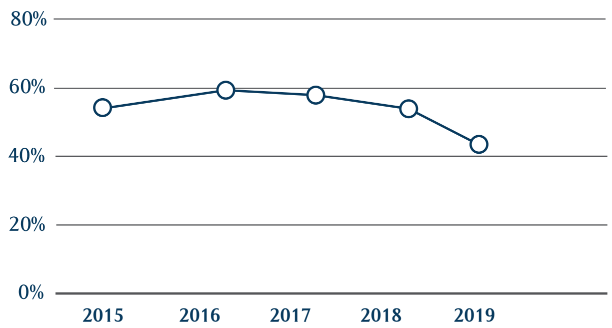
Company Return on Equity



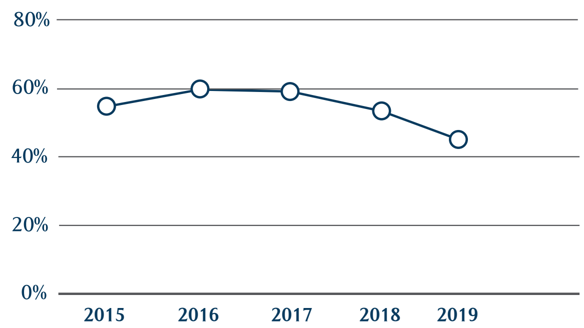
Capital Adequacy Ratio



Group Loss Ratio



Company Loss Ratio



2019
AUDITED FINANCIAL STATEMENTS

ICEA LION
GENERAL INSURANCE

REPORT OF DIRECTORS

The directors have pleasure of presenting their integrated report which includes the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of ICEA LION General Insurance Limited (the "Company" and its subsidiary, together ("the Group").

BUSINESS REVIEW

The principal activity of the company and its subsidiary, ICEA LION General Insurance Company Limited (Tanzania), is the transaction of general insurance business.

The group reported a profit before tax of Kshs 1,104,319,000 (2018: Kshs 590,823,000) whereas the company reported a profit before tax of Kshs 1,113,672,000 (2018: Kshs 632,864,000). The improved performance was largely attributed to an increase in underwriting results and investment income. The Group and Company's 5 years financial highlights including ratios are summarised on pages 82 to 89.

The group is exposed to various risks including insurance risk, financial risks and capital risks. The details of these risks and how the company manages them are discussed on Note 4 and pages 119 to 139.

GROUP RESULTS	2019 Shs' 000	2018 Shs' 000
Profit before income tax	1,104,319	590,823
Income tax expense	(218,367)	(177,693)
Profit for the year	**885,952**	**413,130**
Attributable to owners of the parent	889,886	426,976
Attributable to non-controlling interest	(3,934)	(13,846)
Profit attributable to equity holders of the parent company transferred to retained earnings	**885,952**	**413,130**

REPORT OF DIRECTORS (continued)

RESULTS AND DIVIDEND

Profit for the year of Ksh 885,952,000 (2018: Ksh 413,130,000) has been added to retained earnings. During the year, an interim dividend of Ksh 50,000,000 (2018: nil) was paid. The directors recommend the approval of a final dividend of Ksh 150,000,000 (2018: Ksh 200,000,000).

DIRECTORS

The directors who held office during the year and to the date of this report are set out on pages 23.

DISCLOSURES TO AUDITORS

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 continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. 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
23 March 2020
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 Company at the end of the financial year and of their financial performance for the year then ended. The directors are responsible for ensuring that the Group keeps 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 of 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 controls as they determine are 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 23 March 2020 and signed on its behalf by:

J K Muiruri

Director

J K Kimeu

Director

REPORT OF THE PARENT COMPANY CONSULTING ACTUARY

I have conducted an actuarial valuation of the Company's insurance liabilities as at 31 December 2019.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Insurance Act Cap 487 of the Laws of Kenya. Those principles require that prudent principles for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the audited financial statements of the Company.

In my opinion, the insurer's insurance liabilities reserves of the company were adequate as at 31 December 2019.

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

23 March 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICEA LION GENERAL INSURANCE COMPANY LIMITED

Report on the audit of the financial statements

Our Opinion

We have audited the accompanying financial statements of ICEA LION General Insurance Company Limited (the Company) and its subsidiary (together, the Group) set out on pages 98 to 174, which comprise the consolidated and company statements of financial position at 31 December 2019 and the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of ICEA LION General Insurance Company Limited give a true and fair view of the financial position of the Group and the Company at 31 December 2019 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

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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 GENERAL INSURANCE COMPANY LIMITED (continued)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Determination of outstanding claims provision As explained in note 3 and documented in notes 44 and 45 of the financial statements, outstanding claims provisions includes reported claims incurred but not reported ("IBNR") and unallocated loss adjustment expenses reserve (ULAE). We considered claims provisions as a significant area of focus due to the following reasons: • The estimation of the provisions involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred. • The valuation of these liabilities relies on the accuracy of claims data and the assumption that future claims development will follow a similar pattern to past claims development experience.	Our testing approach included amongst others, the following procedures with the assistance of our actuarial specialists: • Evaluating and testing the controls around the claim reserving and settlement; • Evaluating managements' review process of the provisions; • Comparing for a sample of claims the amounts as recorded in the claims systems to source documents; • Reviewing the reconciliation between the claims data and that used to calculate the reserves; • Considering the methodology and assumptions used by the Appointed Actuary and management in the estimation of reserves and assessing the methodologies applied against general accepted actuarial approaches. • Evaluating the ongoing validity of the assumptions by performing an actual versus expected analysis on prior year's reserves.

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 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 Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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:

- 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 controls.

- Obtain an understanding of internal controls 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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 directors' on pages 91 to 92 is consistent with the financial statements.

PricewaterhouseCoopers LLP

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

27 March 2020

Consolidated and Company Statements of Comprehensive Income
for the year ended 31 December 2019

		GROUP		COMPANY	
	Notes	2019 Ksh'000	2018 Ksh '000	2019 Ksh'000	2018 Ksh '000
Gross Written Premium	5(a)	6,253,833	5,938,870	5,855,812	5,609,278
Gross Earned Premium	5(b)	6,034,625	5,932,050	5,678,217	5,630,056
Less: Reinsurance premium ceded	5(c)	(3,029,030)	(2,756,855)	(2,837,236)	(2,594,023)
Net earned premiums		**3,005,595**	**3,175,195**	**2,840,981**	**3,036,033**
Commission income	6	448,829	470,432	396,397	417,689
Investment income	7(a)	1,093,698	745,712	1,070,357	713,365
Finance income	7(b)	8,070	-	8,070	-
Foreign exchange gains/(losses)	8	4,313	(411)	3,394	(725)
Total income		**4,560,505**	**4,390,928**	**4,319,199**	**4,166,362**
Claims expense	9	(1,285,974)	(1,706,875)	(1,255,384)	(1,642,077)
Commission expense	10	(622,120)	(652,017)	(564,422)	(603,189)
Operating and other expenses	11(a)	(1,413,195)	(1,438,399)	(1,250,847)	(1,283,487)
Finance costs	11(b)	(75,453)	-	(73,510)	-
Impairment of assets	11(c)	(59,444)	(2,814)	(61,364)	(4,745)
Total expenses		**(3,456,186)**	**(3,800,105)**	**(3,205,527)**	**(3,533,498)**
Profit before income tax		**1,104,319**	**590,823**	**1,113,672**	**632,864**
Income tax expense	13(a)	(218,367)	(177,693)	(219,350)	(190,275)
Profit for the year		**885,952**	**413,130**	**894,322**	**442,589**
Other comprehensive income net of tax;					
Items that may not be subsequently classified to profit or loss					
Change in fair value of equity securities at Fair Value Through Other Comprehensive Income		140	2,073	-	-
Deferred Tax on fair value gain		(42)	-	-	-
		98	**2,073**	**-**	**-**
Items that may subsequently be classified to profit or loss					
Exchange differences on translating net assets of foreign subsidiary		(1,343)	(12,475)	-	-
Change in fair value of debt securities at Fair Value Through Other Comprehensive Income		6,484	8,806	6,484	8,806
Deferred Tax on fair value gain		5,664	-	5,664	-
		10,805	**(3,669)**	**12,148**	**8,806**
Total other comprehensive income/(loss) net of tax		**10,903**	**(1,596)**	**12,148**	**8,806**
Total comprehensive income for the year		**896,855**	**411,534**	**906,470**	**451,395**
Profit attributable to:					
Owners of the parent		889,886	426,976	894,322	442,589
Non-controlling interest		(3,934)	(13,846)	-	-
		885,952	**413,130**	**894,322**	**442,589**
Total comprehensive income attributable to:					
Owners of the parent		900,743	431,116	906,470	451,395
Non-controlling interest		(3,888)	(19,582)	-	-
		896,855	**411,534**	**906,470**	**451,395**
Earnings per share (Basic and Diluted)	15	17.80	8.54	17.89	8.85

The notes on pages 103 to 174 are an integral part of these financial statements

Consolidated and Company Statements of Financial Position
as at 31 December 2019

	Notes	GROUP 2019 Ksh '000	GROUP 2018 Ksh '000	COMPANY 2019 Ksh '000	COMPANY 2018 Ksh '000
ASSETS					
Intangible assets	17	10,268	13,920	9,798	13,018
Property and equipment	18	76,646	96,098	69,777	88,891
Right-of-use asset	19	363,880	-	343,863	-
Investment in subsidiaries at cost	20	-	-	50,147	50,147
Investment properties	21	2,765,000	2,750,000	2,765,000	2,750,000
Other receivables	22	251,857	235,685	236,640	224,590
Due from subsidiary company	23	-	-	6,078	3,236
Kenya motor insurance pool	24	74,691	93,901	74,691	93,901
Investment in sub-lease	25	65,988	-	65,988	-
Deferred income tax	26(c)	33,413	32,757	-	-
Current tax recoverable	13(d)	23,053	75,527	-	55,260
Deferred acquisition costs	27	264,017	212,918	236,805	193,268
Reinsurers' share of technical provisions and reserves	28	2,363,236	2,459,551	2,146,136	2,267,735
Receivables arising out of direct insurance arrangements	29	568,301	367,332	564,842	356,046
Receivables arising out of reinsurance arrangements	30	117,898	170,818	90,199	153,214
Corporate bonds at amortised cost	31(a)	140,138	217,070	140,138	217,070
Corporate bonds held at fair value through profit or loss	31(b)	16,694	15,852	16,694	15,852
Debt securities at amortised cost	32(a)	4,275,385	4,163,893	4,181,447	4,075,092
Debt securities held at fair value through other comprehensive income	32(b)	651,275	352,593	651,275	352,593
Equity securities at fair value through other comprehensive income	33(a)	6,354	6,242	-	-
Equity securities at fair value through profit or loss	33(b)	1,098,510	950,705	1,012,036	852,876
Deposits with financial institutions at amortised cost	34	583,663	422,290	386,310	224,387
Cash and bank balances		39,299	20,975	21,779	8,895
Total Assets		**13,789,566**	**12,658,127**	**13,069,643**	**11,996,071**
EQUITY AND LIABILITIES					
Ordinary shares	36	1,000,000	1,000,000	1,000,000	1,000,000
Other reserve	37(a)	(12,191)	(24,391)	(13,218)	(25,366)
Contingency reserve	37(b)	46,876	41,263	-	-
Currency translation reserve	37(c)	(49,645)	(48,302)	-	-
Retained earnings	37(d)	3,891,696	3,327,034	3,819,538	3,247,157
Proposed dividends		150,000	200,000	150,000	200,000
		5,026,736	**4,495,604**	**4,956,320**	**4,421,791**
Non-controlling interests	38	102,445	109,248	-	-
Total Equity		**5,129,181**	**4,604,852**	**4,956,320**	**4,421,791**
LIABILITIES					
Deferred income tax	26(c)	306,019	423,484	306,019	423,484
Other payables	39	476,072	488,277	422,555	445,215
Current tax payable	13(d)	26,454	-	26,454	-
Lease Liability	40	619,496	-	600,215	-
Deferred reinsurance commissions	41	167,197	136,006	146,260	119,765
Unearned premiums reserve	42	2,582,602	2,302,164	2,417,883	2,178,454
Payables arising from reinsurance arrangements	43	407,342	258,941	340,666	203,773
Outstanding claims provision	44	4,075,203	4,444,403	3,853,271	4,203,589
Total Liabilities		**8,660,385**	**8,053,275**	**8,113,323**	**7,574,280**
Total Equity and Liabilities		**13,789,566**	**12,658,127**	**13,069,643**	**11,996,071**

The financial statements on pages 98 to 174 were approved and authorised for issue by the board of directors on 23 March 2020 and were signed on its behalf by:

J.K. Muiruri
Director

J.K. Kimeu
Director

S.O. Oluoch
Principal Officer

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital Ksh '000	Other reserve Ksh '000	Contingency reserve Ksh '000	Currency translation reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Attributable to shareholders	Non-controlling interest Ksh '000	Total Ksh '000
Balance at 1 January 2018	**1,000,000**	**(34,172)**	**40,505**	**(57,842)**	**3,113,917**	**150,000**	**4,212,408**	**130,910**	**4,343,318**
Profit for the year	-	-	-	-	426,976	-	426,976	(13,846)	413,130
Other comprehensive income for the year	-	9,781	(3,668)	9,540	(11,513)	-	4,140	(5,736)	(1,596)
Total comprehensive income	**-**	**9,781**	**(3,668)**	**9,540**	**415,463**	**-**	**431,116**	**(19,582)**	**411,534**
Transfer to retained earnings from contingency reserve	-	-	4,426	-	(2,346)	-	2,080	(2,080)	-
Dividends									
-2017 final dividend paid	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
-2018 proposed final dividend	-	-	-	-	(200,000)	200,000	-	-	-
Balance as at 31 December 2018	**1,000,000**	**(24,391)**	**41,263**	**(48,302)**	**3,327,034**	**200,000**	**4,495,604**	**109,248**	**4,604,852**
Balance at 1 January 2019	**1,000,000**	**(24,391)**	**41,263**	**(48,302)**	**3,327,034**	**200,000**	**4,495,604**	**109,248**	**4,604,852**
Changes on initial application of IFRS 16									
Day one adjustment on retained earnings	-	-	-	-	(174,643)	-	(174,643)	(392)	(175,035)
Day one deferred tax adjustment (Note 26)	-	-	-	-	52,393	-	52,393	116	52,509
Restated as at 1 January 2019	**1,000,000**	**(24,391)**	**41,263**	**(48,302)**	**3,204,784**	**200,000**	**4,373,354**	**108,972**	**4,482,326**
Profit for the year	-	-	-	-	889,886	-	889,886	(3,934)	885,952
Other comprehensive income for the year	-	12,200	-	(1,343)	-	-	10,857	46	10,903
Total comprehensive income	**-**	**12,200**	**-**	**(1,343)**	**889,886**	**-**	**900,743**	**(3,888)**	**896,855**
Transfer to retained earnings from contingency reserve	-	-	5,613	-	(2,974)	-	2,639	(2,639)	-
Dividends									
-2018 final dividends	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
-2019 interim dividend paid	-	-	-	-	(50,000)	-	(50,000)	-	(50,000)
-2019 proposed dividend					(150,000)	150,000	-	-	-
Balance as at 31 December 2019	**1,000,000**	**(12,191)**	**46,876**	**(49,645)**	**3,891,696**	**150,000**	**5,026,736**	**102,445**	**5,129,181**

The notes on pages 103 to 174 are an integral part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital Ksh '000	Other reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Total Ksh '000
Balance at 1 January 2018	**1,000,000**	**(34,172)**	**3,004,568**	**150,000**	**4,120,396**
Profit for the year	-	-	442,589	-	442,589
Other comprehensive income	-	8,806	-	-	8,806
Total comprehensive income for the year	**-**	**8,806**	**442,589**	**-**	**451,395**
Dividends:					
-2017 final dividend	-	-	-	(150,000)	(150,000)
-2018 final dividend	-	-	(200,000)	200,000	-
Balance as at 31 December 2018	**1,000,000**	**(25,366)**	**3,247,157**	**200,000**	**4,421,791**
Balance at 1 January 2019	**1,000,000**	**(25,366)**	**3,247,157**	**200,000**	**4,421,791**
Changes on initial application of IFRS 16					
Day one adjustment on retained earnings	-	-	(174,201)	-	(174,201)
Day one deferred tax adjustment (Note 26)	-	-	52,260	-	52,260
Restated as at 1 January 2019	**1,000,000**	**(25,366)**	**3,125,216**	**200,000**	**4,299,850**
Total comprehensive income for the year					
Profit for the year	-	-	894,322	-	894,322
Other comprehensive income	-	12,148	-	-	12,148
Total comprehensive income for the year	**-**	**12,148**	**894,322**	**-**	**906,470**
Dividends					
-2018 final dividends	-	-	-	(200,000)	(200,000)
-2019 interim dividend paid	-	-	(50,000)	-	(50,000)
-2019 proposed dividend	-	-	(150,000)	150,000	-
Balance as at 31 December 2019	**1,000,000**	**(13,218)**	**3,819,538**	**150,000**	**4,956,320**

The notes on pages 103 to 174 are an integral part of these financial statements

Consolidated and Company Statements of Cash Flows
for the year ended 31 December 2019

	Notes	GROUP 2019 Ksh '000	GROUP 2018 Ksh '000	COMPANY 2019 Ksh '000	COMPANY 2018 Ksh '000
Cash flows from operating activities					
Cash generated from /(used in) operations	48(a)	188,265	(552,607)	190,095	(531,380)
Income tax paid	13(c)	(200,045)	(339,284)	(197,177)	(335,371)
Net cash used in operating activities		**(11,780)**	**(891,891)**	**(7,082)**	**(866,751)**
Cash flows from investing activities					
Purchase of property and equipment	18	(20,888)	(13,663)	(17,844)	(13,140)
Proceeds from sale of property and equipment		6,954	5,057	6,762	4,810
Purchase of intangible assets	17	(4,942)	(11,525)	(4,915)	(11,364)
Net movement in debt securities		(393,671)	142,077	(388,534)	148,508
Proceeds from sale of equity securities held at fair value through profit or loss		43,270	16,786	43,270	16,786
Purchase of equity instruments fair value through profit or loss	33(b)	(32,868)	(114,239)	(32,868)	(114,239)
Net purchases/maturities of corporate bonds		76,932	25,864	76,932	25,864
Investment property additions	21	(15,555)	-	(15,555)	-
Net investment in deposits maturing after 3 months		(222,794)	28,450	(128,653)	(22,187)
Interest income	7	610,729	617,153	583,618	589,783
Rental income	7	233,300	226,266	233,300	226,266
Dividend income	7	56,373	42,933	52,050	38,214
Repayment of lease liability		(121,838)	-	(111,030)	-
Income on investment in sub-lease received		9,461	-	9,461	-
Net cash generated from investing activities		**224,463**	**965,159**	**305,994**	**889,301**
Cash flows from financing activities					
Dividends paid to shareholders of parent company	16	(250,000)	(150,000)	(250,000)	(150,000)
Net decrease in cash and cash equivalents		**(37,317)**	**(76,732)**	**48,912**	**(127,450)**
Cash and cash equivalents at beginning of year		318,929	403,742	172,399	299,849
Effect of exchange rate changes on translation of cash and cash equivalents		(2,233)	(8,081)	-	-
Cash and cash equivalents at year end	48(b)	**279,379**	**318,929**	**221,311**	**172,399**

The notes on pages 103 to 174 are an integral part of these financial statements.

1 GENERAL INFORMATION

ICEA LION General Insurance Company Limited (the "Company") transacts general insurance business and is incorporated in Kenya under the Companies Act as a private limited liability company. The Company is domiciled in Kenya and the address of its registered office is:

ICEA LION Centre Chiromo Road
PO Box 30190,00100
Nairobi

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) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenyan Companies Act, 2015.

(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.

Application of new and revised International Financial Reporting Standards (IFRSs)

1.1. Amendments to IFRSs that are mandatorily effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 2(p). The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, and thus has not restated comparative information but rather has recognised the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial recognition.

(a) Impact of the new definition of a lease
The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases
IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:
(a) Recognises right-of-use assets and lease liabilities in the consolidated and company statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognises an investment in sub-lease for cases where the Group has entered into a lease or otherwise entered into a shared space arrangement with another company, the copany accounts for the head lease and the sub-lease as two separate contracts;
(c) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)
Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.1. Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(b) Impact on Lessee Accounting (Continued)

(i) Former operating leases (continued)

(d) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

(ii) Former finance leases
The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

(c) Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts.

The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The Company and the Group did not have any sub-lease arrangements where it is the lessor.

(d) Financial impact of the initial application of IFRS 16
The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current year.

GROUP

Impact on profit or loss	2019 Shs'000
Impact on profit/(loss) for the year	
Decrease in operating sub-lease income	-
Increase in finance income	8,070
Increase in depreciation of right-of-use asset	(61,647)
Increase in finance costs	(75,453)
Decrease in other expenses	112,377
Decrease in profit for the year	**(16,653)**

COMPANY

Impact on profit or loss	2019 Shs'000
Impact on profit/(loss) for the year	
Decrease in operating sub-lease income	-
Increase in finance income	8,070
Increase in depreciation of right-of-use asset	(52,292)
Increase in finance costs	(73,510)
Decrease in other expenses	101,569
Decrease in profit for the year	**(16,163)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.1. Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(d) Financial impact of the initial application of IFRS 16 (continued)

GROUP

Impact on assets, liabilities and equity as at 1 January 2019	As previously reported	IFRS 16 adjustments	As restated
Property, plant and equipment	96,098	-	96,098
Right-of-use assets	-	397,952	397,952
Deferred tax asset	32,757	249	33,007
Investment in sub-lease	-	67,379	67,379
Net impact on total assets		**465,580**	
Obligations under finance leases			
Lease liabilities	-	640,366	640,366
Deferred tax liabilities	423,484	(52,260)	371,224
Net impact on total liabilities		**588,106**	
Net impact on total assets and liabilities		**(122,526)**	
Net impact			
Retained earnings	3,327,034	(122,250)	3,204,784
Non controling interest	109,248	(276)	108,972
Net impact on equity		**(122,526)**	

COMPANY

Impact on assets, liabilities and equity as at 1 January 2019	As previously reported	IFRS 16 adjustments	As restated
Property, plant and equipment	88,891	-	88,891
Right-of-use assets	-	368,600	368,600
Investment in sub-lease	-	67,379	67,379
Net impact on total assets		435,979	
Obligations under finance leases			
Lease liabilities	-	610,180	610,180
Deferred tax	285,905	(52,260)	233,645
Net impact on total liabilities	**-**	**557,920**	**-**
Net impact		**(121,941)**	
Retained earnings	**3,247,157**	**(121,941)**	**3,125,216**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.1. Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(d) Financial impact of the initial application of IFRS 16 (continued)

Group as a lessor:
The application of IFRS 16 has an impact on the consolidated and company statement of cash flows of the Group.
Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Other amendments mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation	The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI. The Group did not have such prepayment features.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.1. Amendments to IFRSs that are mandatorily effective for the current year (Continued)

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments will not have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

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)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and the entities controlled by the Company and its subsidiaries. Control is achieved when the company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

i) Subsidiaries

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including;

- The size of the Company's holding of voting relative to the size and dispersion of holdings of other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the Company ceases control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The consolidated financial statements incorporate the financial statements of the company and its subsidiary ICEA LION General Insurance Company (Tanzania) Limited made up to 31 December.

(ii) Investment in subsidiary companies

In the separate financial statements, investments in subsidiaries are accounted for at cost.

(c) Kenya Motor Insurance 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) Revenue recognition

i) Revenue(described as Gross Earned Premium in the statement of comprehensive income)

Premium revenue is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the end of each reporting period, and are calculated using the 365th basis for all classes of business.

ii) Other income

Commissions receivable are recognised as income in the period in which they are earned. To achieve this a proportion of reinsurance commissions receivable is deferred and recognised as income over the period of the policy.

Interest income for all interest bearing financial instruments is recognised using the effective interest rate method. Dividend income on available for sale equities is recognised as income in the period in which the right to receive payment is established. Rental income is recognised as income in the period in which it is earned.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition (continued)
ii) Other income (continued)

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.

(e) Reinsurance

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.

Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the group will receive from the reinsurer. The impairment loss is recognized in the statement of comprehensive income.

The group also assumes reinsurance risk in the normal course of business for non-life 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.

(f) Commissions payable and deferred acquisition costs

A proportion of commissions payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of commissions payable and other acquisition costs that relate to the unexpired term of the policies that are in force at the year end.

(g) Claims incurred

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 provisions represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the end of each reporting period, but not settled at that date, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. 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") at the end of each reporting period based on the group's experience but subject to the minimum levels of IBNR set by regulations in Kenya and Tanzania.

(h) Unearned premium reserve

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract at which time it is recognised as premium income.

(i) Foreign currency translation

(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 ("Ksh") rounded to the nearest thousand, which is the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign currency translation (continued)

(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 profit or loss in the year in which they arise.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Kenya shillings, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

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.

(j) Retirement benefit obligations

The Group operates two defined contribution pension schemes for its employees. The assets of these schemes are held in separate trustee administered funds. The schemes are funded by contributions from both the employees and the employer. Contributions are determined by the rules of the schemes.

The group also contributes to the statutory defined contribution pension schemes, the National Social Security Fund (NSSF) in Kenya and Tanzania. Contributions to these schemes are determined by local statute.

The Group's obligations to retirement benefits schemes are charged to profit or loss as they fall due. There is no further obligation to the group.

(k) 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 unless there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment properties are carried at fair value, representing market value determined by external independent valuers. Changes in their carrying amount between the statement of financial position dates are accounted for through profit or loss. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(m) Dividends payable

Dividends payable on ordinary shares are charged to equity in the period in which they are declared. Dividends declared after the reporting date are not recognised as liabilities at the end of each reporting period.
Proposed dividends are shown as a separate component of equity.

(n) Property and equipment

All property and equipment are initially recorded at cost. These are stated at historical cost less accumulated depreciation and less any accumulated impairment losses.

Depreciation

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life at the following rates:

Buildings	4%
Furniture, fixtures and fittings and office equipment	12.5% - 20%
Motor vehicles	25%
Computer equipment	25%
Software	33.3%

Property and equipment is periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognised in the statement of comprehensive income.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts.

(o) 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.

The useful lives of intangible assets are assessed to be either finite or indefinite. Costs associated with maintaining computer software are recognized as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software beyond their original specifications and lives is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over a period of five years. There are no intangible assets with indefinite useful lives.

(p) Leases

(a) The Group as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases (continued)

(a) The Group as lessee (continued)

- 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 Group did not make any such adjustments during the periods presented.

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 'Property, Plant 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 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.

Accounting Policies applied until 31 December 2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to a company within the group as a lessee. All other leases are classified as operating leases.

(i) The Group as lessor

Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease.

(i) The Group as lessee

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease.

(q) Financial assets

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial assets (continued)

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.

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.

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. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt securities

Subsequent measurement of debt securities 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 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.

Equity securities

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 FVPL 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.

Determination of fair value

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, DSE). The quoted market price used for financial assets held by the Group is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For example a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

ICEA LION GENERAL INSURANCE

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial assets (continued)

Determination of fair value (continued)

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.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. 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 or FVTOCI:

- Debt securities measured at amortised cost
- Receivables arising from direct insurance arrangements;
- Receivables arising from reinsurance arrangements;
- Corporate bonds;
- Deposits with financial institutions; and
- Cash and bank balances
- Kenya motor insurance pool

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

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 and lease receivables) for which credit risk has not increased significantly since initial recognition.
  Loss allowances for premium and rent receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:
- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial assets (continued)

Measurement of expected credit losses

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

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

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

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

Expected credit losses

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

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, the Group follows 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 changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

Definition of default

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:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: egg. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial assets (continued)

Significant increase in credit risk (SIICR) (continued)

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

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

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

Measurement of ECL

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

- Probability of Default;
- 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. 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 input into the measurement of ECL is the external benchmark information that the Group uses to derive the default rates of its portfolios.

Fair value through profit or loss (FVTPL)

If a financial asset or group of financial assets is not held within the “hold to collect” or the “hold to collect and sell” business model it should be measured at FVTPL. FVTPL is the residual category and IFRS 9. Additionally, a business model in which an entity manages financial assets, with the objective of realizing cash flows through solely the sale of the assets would result into FVTPL business model. Even though the entity might collect contractual cash flows while it holds the financial assets the objectives of such a business model is not achieved by both collecting contractual cash flows and selling financial assets. This is because the collection of contractual cash flows is not integral to achieving the business models objectives; instead it is incidental to it.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial assets (continued)
Financial liabilities (continued)

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.

Derecognition of financial liabilities

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 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.

(r) 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.

(s) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(t) Impairment of non-financial assets

At each end of the reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and the impairment loss is recognised in the statement of comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

(u) 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 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

In the process of applying the entity's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key assumptions concerning the future and other sources of estimation uncertainty that directors have made in applying the group's accounting policies:

Outstanding claim reserves

Delays can be experienced in the notification and settlement of certain types of claims and therefore the ultimate cost of this category of claims cannot be known with certainty at the end of each reporting period. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The Group uses the Basic Chain Ladder techniques and the Bornhuetter-Ferguson Method, dependent on the class of business being projected, to estimate the ultimate cost of claims and the IBNR. These techniques/methods are used as they are appropriate for mature classes of business that have relatively stable development patterns. 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 claims cost for each year. The development of insurance liabilities provides a measure of the group's ability to estimate the ultimate value of claims. In order to compute the Net Incurred But not Reported (IBNR) a reinsurance recovery rate is determined.

In the event that minimum prescribed IBNR rates as determined by the insurance regulations in Kenya and Tanzania are higher than those estimated by the group, the regulatory limits are applied.

The key variable used in determining IBNR and outstanding claim reserves is the value of claims where actual claims incurred may differ from historical claims incurred. Outstanding claim reserves also include an unallocated loss adjustment expenses reserve. Determination of the level of expenses required to pay claims on run-off in the event the business was to be wound up, is an area of professional judgement.

The table below summarises the impact of the change to the value of claims on the financial positions.

GROUP

		31 December 2019		31 December 2018	
	% change	Impact on outstanding claim reserves Kshs'000	Impact on profit before tax Kshs'000	Impact on outstanding claim reserves Kshs'000	Impact on profit before tax Kshs'000
Value of claims	1%	40,752	28,296	44,444	31,937

COMPANY

		31 December 2019		31 December 2018	
	% change	Impact on outstanding claim reserves Kshs'000	Impact on profit before tax Kshs'000	Impact on outstanding claim reserves Kshs'000	Impact on profit before tax Kshs'000
Value of claims	1%	38,533	27,998	42,036	31,287

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Calculation of loss allowance

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 Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY (Continued)

Probability of default 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 2019, the loss allowance would have been Kshs. 53,732,000 and Kshs. 54,370,000 (2018: Kshs 49,948,000 and Kshs 44,706,000) for the group and the company respectively.

Valuation of investment properties

The market valuation is on investment basis subject to Leasehold considerations and the existing tenancies. The valuation also reflects the highest and best use.

The effects of changes in gross annual rental and yield will have the following effect on the fair value of the properties:-

GROUP AND COMPANY

		31 December 2019	31 December 2018
	% change	Impact on profit before tax Kshs'000	Impact on profit before tax Kshs'000
Gross annual rental	+5%	11,665	11,313
Gross annual rental	-5%	(11,665)	(11,313)
Rate of return	+2.5%	5,833	5,657
Rate of return	-2.5%	(5,833)	(5,657)

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. Due to the associated uncertainty, it is possible that the estimates of the amount of lease payment that will be recovered through the sub-lease of the property may need to be revised during the next year.

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 RISK MANAGEMENT

Governance framework

The primary objective of the group's risk and financial management framework is to protect the group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place. The group has a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to management.

Management of Insurance and financial risk

The group's activities expose it to a variety of risks. The group classifies the various risks it is exposed to into insurance risk and financial risk. Financial risks include credit risk, liquidity risk and market risk. Market risk includes the effect of changes in equity market prices, foreign currency exchange rates and interest rates. The group's overall

4 RISK MANAGEMENT (Continued)

Management of Insurance and financial risk (continued)

risk management programme focuses on the unpredictability of financial markets, identification and management of risks. It 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. The group has put in place investment policies which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

i) Insurance risk

Insurance risk in the group arises from:

(a) Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
(b) Unexpected claims arising from a single source;
(c) Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
(d) Inadequate reinsurance protection or other risk transfer techniques; and
(e) Inadequate reserves

(a), (b) and (c) can be classified as the core insurance risk, (d) relates to reinsurance planning, while (e) is about reserving.

Core insurance risk

This risk is managed through:

- Diversification across a large portfolio of insurance contracts;
- Careful selection guided by a conservative underwriting philosophy;
- Continuous monitoring of the business performance per class and per client and corrective action taken as deemed appropriate;
- A minimum of one review of each policy at renewal to determine whether the risk remains within the acceptable criteria;
- Having a business acceptance criteria which is reviewed from time to time based on the experience and other developments; and
- Having a mechanism of identifying, quantifying and accumulating exposures to contain them within the set underwriting limits.

Reinsurance planning

Reinsurance purchases are reviewed annually to verify that the levels of protection being sought reflect developments in exposure and risk appetite of the group. The basis of these purchases is underpinned by the group's experience, financial modelling by and exposure of the reinsurance broker.

The reinsurance is placed with providers who meet the Group's counter party security requirements.

Claims reserving

The group's reserving policy is guided by the prudence concept. Estimates are made of the estimated cost of settling a claim based on the best available information on registration of a claim, and this is updated as and when additional information is obtained and annual reviews done to ensure that the reserves are adequate. Management is regularly provided with claims settlement reports to inform on the reserving performance.

Short-term insurance contracts

The Group principally issues the following types of general insurance contracts: Aviation, engineering, fire, liability, marine, motor, personal accident, theft, workmen compensation and various miscellaneous general risk classes. The risks under these policies usually cover twelve months duration.

These risks on these contracts do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group.

The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. earthquakes and flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

The table below sets out the concentration of insurance exposure by the main classes of business in which the group operates. The amounts are the carrying amounts of the sum insured (gross and net of reinsurance) arising from insurance contracts.

GROUP		Ksh '000	Ksh'000	Ksh'000	Ksh'000
31 December 2019		Below 20m	20m to 50m	Over 50 million	Total
Aviation	Gross	1,005,977	729,714	1,073,992,501	1,075,728,192
	Net	780,338	173,338	237,282	1,190,958
Engineering	Gross	4,494,136	4,603,147	90,309,790	99,407,073
	Net	4,504,314	4,871,234	15,744,212	25,119,760
Fire Domestic	Gross	33,742,984	41,980,249	89,827,382	165,550,615
	Net	33,827,545	41,597,747	62,268,647	137,693,939
Fire Industrial	Gross	39,442,025	54,172,646	1,452,084,370	1,545,699,041
	Net	32,546,561	48,360,219	272,475,820	353,382,600
Liability	Gross	7,499,319	8,280,561	130,703,229	146,483,109
	Net	7,126,357	6,223,031	26,198,115	39,547,503
Marine	Gross	3,485,831	1,986,881	16,954,884	22,427,596
	Net	3,506,637	1,934,911	11,426,355	16,867,903
Medical	Gross	1,800	-	-	1,800
	Net	1,800	-	-	1,800
Miscellaneous Accident	Gross	30,551,891	26,913,455	12,436,173	69,901,519
	Net	12,349,824	690,942	314,036	13,354,802
Motor Commercial	Gross	7,032,002	1,981,716	5,434,961	14,448,679
	Net	6,947,851	1,976,451	5,294,268	14,218,570
Motor Private	Gross	24,904,421	2,089,874	5,290,430	32,284,725
	Net	24,612,148	2,068,755	5,068,865	31,749,768
Personal Accident	Gross	3,196,147	12,131,583	89,766,391	105,094,121
	Net	3,227,617	11,633,362	39,425,944	54,286,923
Theft	Gross	10,633,630	7,114,190	45,722,589	63,470,409
	Net	10,550,113	7,079,707	43,122,931	60,752,751
Workmen's Compensation	Gross	859,310	59,850,316	91,153,507	151,863,133
	Net	861,234	59,726,869	88,257,325	148,845,428
	Gross	**166,849,473**	**221,834,332**	**3,103,676,207**	**3,492,360,012**
31 December 2019	**Net**	**140,842,339**	**186,336,566**	**569,833,800**	**897,012,705**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

GROUP 31 December 2018		Ksh '000 Below 20m	Ksh'000 20m to 50m	Ksh'000 Over 50 million	Ksh'000 Total
Aviation	Gross	1,091,881	787,808	1,407,884,599	1,409,764,288
	Net	122,119	55,828	983,093	1,161,040
Engineering	Gross	4,268,629	4,387,746	57,059,634	65,716,009
	Net	4,186,289	4,177,505	14,561,807	22,925,601
Fire Domestic	Gross	34,653,684	41,137,284	81,753,200	157,544,168
	Net	34,502,450	41,019,412	59,063,578	134,585,440
Fire Industrial	Gross	35,249,569	52,777,493	1,292,042,548	1,380,069,610
	Net	24,657,323	41,352,474	278,101,969	344,111,766
Liability	Gross	6,164,928	7,805,317	102,030,298	116,000,543
	Net	5,505,851	6,464,523	44,012,461	55,982,835
Marine	Gross	3,096,184	1,875,537	21,296,498	26,268,219
	Net	2,983,225	1,324,708	10,977,266	15,285,199
Medical and miscellaneous	Gross	25,524,248	17,497,606	24,151,159	67,173,013
	Net	5,140,628	3,604,483	3,838,559	12,583,670
Motor Commercial	Gross	6,734,713	1,784,623	5,412,108	13,931,444
	Net	6,690,161	1,772,082	5,273,044	13,735,287
Motor Private	Gross	22,823,431	2,625,947	7,489,202	32,938,580
	Net	22,618,490	2,615,007	7,456,910	32,690,407
Personal Accident	Gross	3,312,862	12,227,271	78,545,067	94,085,200
	Net	3,253,083	11,714,940	36,306,671	51,274,694
Theft	Gross	10,057,924	7,174,727	50,548,420	67,781,071
	Net	10,006,679	7,119,861	49,720,043	66,846,583
Workmen's Compensation	Gross	858,217	56,997,785	80,546,857	138,402,859
	Net	850,100	56,813,112	77,975,263	135,638,475
	Gross	**153,836,270**	**207,079,144**	**3,208,759,590**	**3,569,675,004**
31 December 2018	**Net**	**120,516,398**	**178,033,935**	**588,270,664**	**886,820,997**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

COMPANY		Ksh '000	Ksh'000	Ksh'000	Ksh'000
31 December 2019		Below 20m	20m to 50m	Over 50 million	Total
Aviation	Gross	964,769	704,433	1,073,623,397	1,075,292,599
	Net	769,781	168,788	228,184	1,166,753
Engineering	Gross	3,832,554	4,270,017	65,945,316	74,047,887
	Net	3,909,274	4,568,762	12,758,108	21,236,144
Fire Domestic	Gross	32,970,428	41,526,090	89,297,477	163,793,995
	Net	33,131,483	41,189,004	61,791,733	136,112,220
Fire Industrial	Gross	37,527,453	51,650,061	1,363,682,794	1,452,860,308
	Net	30,881,127	46,245,102	253,955,362	331,081,591
Liability	Gross	7,094,432	7,879,448	82,646,873	97,620,753
	Net	6,772,638	5,912,073	24,177,221	36,861,932
Marine	Gross	3,255,851	1,729,832	15,262,611	20,248,294
	Net	3,304,659	1,848,904	10,821,320	15,974,883
Medical	Gross	1,800	-	-	1,800
	Net	1,800	-	-	1,800
Miscellaneous Accident	Gross	30,241,890	26,866,353	11,930,551	69,038,794
	Net	12,311,740	684,850	308,980	13,305,570
Motor Commercial	Gross	6,533,159	1,929,068	4,813,998	13,276,225
	Net	6,532,537	1,929,068	4,813,998	13,275,603
Motor Private	Gross	23,344,611	1,973,340	4,895,026	30,212,977
	Net	23,344,231	1,973,340	4,895,026	30,212,597
Personal Accident	Gross	2,855,123	11,659,805	88,745,290	103,260,218
	Net	2,931,975	11,398,310	39,251,152	53,581,437
Theft	Gross	9,848,559	6,767,840	44,129,385	60,745,784
	Net	9,847,873	6,765,340	42,199,011	58,812,224
Workmen's Compensation	Gross	685,228	59,749,289	89,612,623	150,047,140
	Net	704,228	59,635,946	87,354,209	147,694,383
	Gross	**159,155,857**	**216,705,576**	**2,934,585,341**	**3,310,446,774**
31 December 2019	**Net**	**134,443,346**	**182,319,487**	**542,554,304**	**859,317,137**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

COMPANY

31 December 2018		Ksh '000 Below 20m	Ksh'000 20m to 50m	Ksh'000 Over 50 million	Ksh'000 Total
Aviation	Gross	1,062,780	787,808	1,406,406,688	1,408,257,276
	Net	114,773	55,828	947,682	1,118,283
Engineering	Gross	3,711,315	3,996,304	44,886,950	52,594,569
	Net	3,679,886	3,825,208	12,406,513	19,911,607
Fire Domestic	Gross	34,222,019	40,606,703	81,037,870	155,866,592
	Net	34,113,155	40,539,871	58,452,239	133,105,265
Fire Industrial	Gross	34,280,109	51,165,819	1,207,169,393	1,292,615,321
	Net	23,817,813	39,968,453	248,344,895	312,131,161
Liability	Gross	6,040,956	7,410,300	64,931,929	78,383,185
	Net	5,392,136	6,114,500	35,736,501	47,243,137
Marine	Gross	2,856,594	1,628,602	19,299,223	23,784,419
	Net	2,775,854	1,259,201	9,712,547	13,747,602
Medical and miscellaneous classes	Gross	25,341,885	17,387,314	23,242,917	65,972,116
	Net	5,118,788	3,594,557	3,828,463	12,541,808
Motor Commercial	Gross	6,360,849	1,729,808	4,526,464	12,617,121
	Net	6,360,782	1,729,808	4,526,464	12,617,054
Motor Private	Gross	21,256,657	2,516,549	7,166,283	30,939,489
	Net	21,256,285	2,516,549	7,166,283	30,939,117
Personal Accident	Gross	3,122,489	11,857,929	76,957,343	91,937,761
	Net	3,090,157	11,507,870	35,393,245	49,991,272
Theft	Gross	9,555,959	6,926,354	49,674,691	66,157,004
	Net	9,551,515	6,923,913	49,274,691	65,750,119
Workmen's Compensation	Gross	784,738	56,924,673	79,741,087	137,450,498
	Net	783,968	56,747,311	77,285,391	134,816,670
31 December 2018	**Gross**	**148,596,350**	**202,938,163**	**3,065,040,838**	**3,416,575,351**
	Net	**116,055,112**	**174,783,069**	**543,074,914**	**833,913,095**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(i) Insurance risk (continued)

The geographical concentration of the Group's sum insured is disclosed below. The disclosure is based on the countries where the business is written.

	Gross Sum insured Ksh'000	Reinsurance Share Ksh'000	Net Sum insured Ksh'000
31 December 2019			
Kenya	3,310,446,775	2,451,129,640	859,317,135
Tanzania	181,913,237	144,217,667	37,695,570
Total	**3,492,360,012**	**2,595,347,307**	**897,012,705**
31 December 2018			
Kenya	3,416,575,351	2,582,662,256	833,913,095
Tanzania	153,099,653	100,191,750	52,907,903
Total	**3,569,675,004**	**2,682,854,006**	**886,820,998**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risks, equity price risk and foreign exchange currency risk. The sensitivity analyses presented below are based on a change in one assumption while holding all other assumptions constant.

(i) Foreign exchange 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 2019, if the Kenya shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the group profit before tax for the year would have been Ksh 208,376 (2018: Ksh (20,536)) higher/lower, mainly as a result of US dollar denominated deposits with financial institutions in Kenya and in Tanzania.

At 31 December 2019, if the Kenya shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the company profit before tax for the year would have been Ksh 162,450 (2018: Ksh (36,267)) higher/lower, mainly as a result of US dollar denominated deposits with financial institutions in Kenya and in Tanzania.

(ii) Interest rate risk

The group is exposed to the risk that the level of interest income and in effect the cash flows will fluctuate due to changes in market interest rates. To manage this, the group ensures that the investment maturity profiles are well spread.

An increase/decrease of 5 percentage points in interest yields would result in an increase/(decrease) in the group profit before tax for the year by Ksh 30,536,437 (2018: Ksh 30,862,254).

An increase/decrease of 5 percentage points in interest yields would result in an increase/(decrease) in the company profit before tax for the year by Ksh 29,180,880 (2018: 29,493,727).

(iii) 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 Dar-es-Salaam Stock Exchange which are classified as available for sale financial assets. Exposure to equity price risk in aggregate is monitored in order to ensure compliance.

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

a) Market risk (continued)

(iii) Equity price risk (continued)

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 2019, 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 55,243,220 (2018: increase/decrease by Ksh 47,847,356).

At 31 December 2019, 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 50,601,806 (2018: increase/decrease by Ksh 42,643,797).

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the group by failing to discharge a contractual obligation. The following policies and procedures are in place to mitigate the group's exposure to credit risk:

- Net exposure limits are set for each counterparty or group of counterparties i.e. limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held.
- Reinsurance is placed with counterparties that have a good credit rating
- Ongoing monitoring by the management credit committee.

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. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. The table below shows the carrying amounts of financial assets bearing credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

The provision rates are based on days past due for various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Company's trade receivables and contract assets using a provision matrix:

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

Expected credit loss as at 31 December 2019

GROUP

Total exposure as at December 2019

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	21,379	20,946	11,339	31,421	61,843	146,928
Brokers	394,854	(9,318)	46,993	89,287	171,017	692,833
Direct	18,624	8,792	7,195	29,106	26,013	89,730
Life Agents	1,302	250	(35)	39	(640)	916
General Agents	90	194	(1)	-	-	283
Travel	37	(286)	113	204	294	362
Facultative Receivables	8,674	61,611	(58,921)	19,487	148,640	179,491
Total	**444,960**	**82,189**	**6,683**	**169,544**	**407,167**	**1,110,543**

Total impairment as at December 2019

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	1	7	36	26,516	61,120	87,680
Brokers	371	(18)	447	78,235	146,530	225,565
Direct	7	19	104	24,215	25,162	49,507
Life Agents	-	-	-	-	-	-
General Agents	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Facultative Receivables	1,983	21,193	(20,465)	9,563	148,640	160,914
Total	**2,362**	**21,201**	**(19,878)**	**138,529**	**381,450**	**523,666**

Loss Rates

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	-	-	-	84%	99%	60%
Brokers	-	-	1%	88%	86%	33%
Direct	-	-	1%	83%	97%	55%
Life Agents	-	-	-	-	-	-
General Agents	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Facultative Receivables	23%	34%	35%	49%	100%	90%
Total	**1%**	**26%**	**(297%)**	**82%**	**257%**	**47%**

ICEA LION GENERAL INSURANCE

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

Expected credit loss as at 31 December 2018

Group

Total exposure as at December 2018

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	110,688	(27,975)	(13,801)	(16,353)	51,445	104,004
Brokers	185,669	20,013	41,073	67,449	304,498	618,702
Direct	(2,119)	2,260	2,319	22,538	(8,819)	16,179
TLAs	(382)	203	932	(236)	330	847
Facultative Receivables	58,330	64,246	3,062	(9,076)	105,961	222,523
Total	**352,186**	**58,747**	**33,585**	**64,322**	**453,415**	**962,255**

Total impairment as at December 2018

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	-	-	-	(19,865)	49,897	30,032
Brokers	-	-	326	35,090	295,845	331,261
Direct	-	-	173	21,288	(10,398)	11,063
TLAs	-	-	-	(287)	330	43
Facultative Receivables	240	-	-	6,614	99,381	106,235
Total	**240**	**-**	**499**	**42,840**	**435,055**	**478,634**

Loss Rates

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	-	-	-	121%	97%	29%
Brokers	-	-	1%	52%	98%	54%
Direct	-	-	7%	94%	118%	68%
TLAs	-	-	-	122%	100%	5%
Facultative Receivables	-	-	-	(73%)	94%	48%
Total	**-**	**-**	**1%**	**67%**	**96%**	**50%**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

Company

Total exposure as at December 2019

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	26,376	18,898	10,103	32,011	59,792	147,180
Brokers	408,961	(7,034)	47,702	89,620	144,958	684,207
Direct	17,073	8,786	7,638	28,600	24,452	86,549
TLAs	1,378	272	(25)	(62)	(647)	916
TGA	90	194	(1)	-	-	283
Travel	37	(286)	113	204	294	362
Facultative Receivables	9,095	52,572	(46,735)	3,178	147,197	165,307
Total	**463,010**	**73,402**	**18,795**	**153,551**	**376,046**	**1,084,804**

Total impairment as at December 2019

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	1	7	36	26,088	59,792	85,924
Brokers	371	(18)	447	73,791	145,344	219,935
Direct	7	19	104	24,215	24,452	48,797
TLAs	-	-	-	-	-	-
TGA	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Facultative Receivables	3	61	(200)	(331)	147,197	146,730
Total	**382**	**69**	**387**	**123,763**	**376,785**	**501,386**

Loss Rates

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	-	-	-	81%	100%	58%
Brokers	-	-	1%	82%	100%	32%
Direct	-	-	1%	85%	100%	56%
TLAs	-	-	-	-	-	-
TGA	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Facultative Receivables	-	-	-	(10%)	100%	89%
Total	**-**	**-**	**2%**	**81%**	**100%**	**46%**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

Company

Total exposure as at December 2018

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	110,688	(27,994)	(13,820)	(16,702)	48,899	101,071
Brokers	184,101	19,990	40,934	67,320	292,351	604,696
Direct	(945)	2,259	2,003	22,865	(12,408)	13,774
TLAs	(382)	203	932	(236)	330	847
Facultative Receivables	56,534	63,643	1,563	(11,457)	80,174	190,457
Total	**349,996**	**58,101**	**31,612**	**61,790**	**409,346**	**910,845**

Total impairment as at December 2018

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	TOTAL
Agents	-	-	-	(20,010)	48,899	28,889
Brokers	-	-	326	35,025	291,153	326,504
Direct	-	-	26	21,288	(12,408)	8,906
TLAs	-	-	-	(287)	330	43
Facultative Receivables	-	-	-	1,987	80,175	82,162
Total	**-**	**-**	**352**	**38,003**	**408,149**	**446,504**

Loss Rates

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
Agents	-	-	-	120%	100%	29%
Brokers	-	-	1%	52%	100%	54%
Direct	-	-	1%	93%	100%	65%
TLAs	-	-	-	122%	100%	5%
Facultative Receivables	-	-	-	(17%)	100%	43%
Total	-	-	-	62%	100%	49%

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

	Carrying Amount Ksh'000	Impaired Ksh'000	Total Ksh'000
GROUP			
31 December 2019			
Receivable arising out of direct insurance arrangements	931,053	(362,752)	568,301
Receivable arising out of reinsurance arrangements	278,812	(160,914)	117,898
Debt securities at amortised cost	4,283,591	(8,206)	4,275,385
Debt securities at fair value through other comprehensive income	651,275	-	651,275
Corporate bonds at amortised cost	141,128	(990)	140,138
Corporate bonds at fair value through profit or loss	16,694	-	16,694
Deposits with financial institutions at amortised cost	588,714	(5,051)	583,663
Other receivables	261,038	(9,181)	251,857
Cash and bank balances	39,427	(128)	39,299
	7,191,732	**(547,222)**	**6,644,510**
31 December 2018			
Receivable arising out of direct insurance arrangements	739,732	(372,400)	367,332
Receivable arising out of reinsurance arrangements	277,052	(106,234)	170,818
Debt securities at amortised cost	4,168,236	(4,343)	4,163,893
Debt securities at fair value through other comprehensive income	352,593	-	352,593
Corporate bonds at amortised cost	218,108	(1,038)	217,070
Corporate bonds at fair value through profit or loss	15,852	-	15,852
Deposits with financial institutions at amortised cost	424,444	(2,154)	422,290
Other receivables	242,909	(7,224)	235,685
Cash and bank balances	20,962	13	20,975
	6,459,888	**(493,380)**	**5,966,508**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(b) Credit risk (continued)

	Carrying Amount Ksh'000	Impaired Ksh'000	Total Ksh'000
COMPANY			
31 December 2019			
Receivable arising out of direct insurance arrangements	919,497	(354,655)	564,842
Receivable arising out of reinsurance arrangements	236,930	(146,731)	90,199
Debt securities held to maturity	4,189,559	(8,112)	4,181,447
Debt securities at fair value through other comprehensive income	651,275	-	651,275
Corporate bonds at amortised cost	141,128	(990)	140,138
Corporate bonds at fair value through profit or loss	16,694	-	16,694
Deposits with financial institutions held to maturity	390,572	(4,262)	386,310
Other receivables	216,422	-	216,422
Cash and bank balances	21,907	(128)	21,779
	6,783,984	**(514,878)**	**6,269,106**
31 December 2018			
Receivable arising out of direct insurance arrangements	720,388	(364,342)	356,046
Receivable arising out of reinsurance arrangements	235,376	(82,162)	153,214
Debt securities held to maturity	4,079,524	(4,432)	4,075,092
Debt securities at fair value through other comprehensive income	352,593	-	352,593
Corporate bonds at amortised cost	218,108	(1,038)	217,070
Corporate bonds at fair value through profit or loss	15,852	-	15,852
Deposits with financial institutions held to maturity	225,890	(1,503)	224,387
Other receivables	224,590	-	224,590
Cash and bank balances	8,882	13	8,895
	6,081,203	**(453,464)**	**5,627,739**

Credit risk – Increase/decrease of ECL rate by 5%

If the ECL rates on trade receivables had been 5% higher (lower) as of 31 December 2019, the loss allowance on trade receivables for the Group and Company would have been Ksh 53,732,000, and Ksh 54,370,000 higher (lower). (2018- Ksh 49,948,000 and Ksh 44,706,000 for the Group and Company respectively).

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has developed and put in place an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(c) Liquidity risk (continued)

The table below analyses the group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

GROUP

31 December 2019	0-1 year Kshs'000	1-3 years Kshs'000	3-5 years Kshs'000	>5 years Kshs'000	Total Kshs'000
Assets					
Debt Securities at amortised cost	668,210	1,495,809	1,482,244	3,106,491	6,752,754
Corporate bonds at amortised cost	53,549	137,267	-	-	190,816
Deposits with financial institutions	583,663	-	-	-	583,663
Receivables arising out of reinsurance arrangements	95,216	8,069	8,069	6,543	117,897
Reinsurers' share of technical provisions and reserves	1,848,030	509,430	5,770	5	2,363,235
Receivables arising out of direct insurance arrangements	138,091	199,010	199,010	32,189	568,300
Cash and bank balances	39,299	-	-	-	39,299
Other receivables	251,857	-	-	-	251,857
Total assets	**3,677,915**	**2,349,585**	**1,695,093**	**3,145,228**	**10,867,821**
Outstanding claims provision	2,968,280	1,106,923	-	-	4,075,203
Payables arising from reinsurance arrangements	(115,151)	132,958	125,916	60,050	203,773
Lease liability	127,905	273,283	295,178	226,154	922,520
Other payables	405,069	-	-	-	405,069
Total liabilities	**3,386,103**	**1,513,164**	**421,094**	**286,204**	**5,606,565**
Liquidity gap	**291,812**	**836,421**	**1,273,999**	**2,859,024**	**5,261,256**

31 December 2018	1 year Kshs'000	2 years Kshs'000	3-5 years Kshs'000	5 years Kshs'000	Total Kshs'000
Assets					
Debt Securities at amortised cost	715,778	1,302,206	1,187,719	2,922,377	6,128,080
Corporate bonds at amortised cost	104,107	114,893	70,900	-	289,900
Deposits with financial institutions	356,176	18,197	-	-	374,373
Receivables arising out of reinsurance arrangements	127,550	17,307	17,307	8,654	170,818
Reinsurers' share of technical provisions and reserves	1,947,389	476,766	32,741	2,655	2,459,551
Receivables arising out of direct insurance arrangements	125,285	50,380	109,478	82,189	367,333
Cash and bank balances	20,975	-	-	-	20,975
Other receivables	355,303	73,648	-	-	428,951
Total assets	**3,752,563**	**2,053,397**	**1,418,145**	**3,015,875**	**10,239,981**
Outstanding claims provision	2,815,872	1,397,191	212,316	19,024	4,444,403
Payables arising from reinsurance arrangements	53,469	144,392	40,720	20,360	258,941
Other payables	190,875	229,276	169,394	-	589,545
Total liabilities	**3,060,216**	**1,770,859**	**422,430**	**39,384**	**5,292,889**
Liquidity gap	**692,347**	**282,538**	**995,715**	**2,976,491**	**4,947,092**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(c) Liquidity risk (continued)

COMPANY

31 December 2019	0-1 year Kshs'000	1-3 years Kshs'000	3-5 years Kshs'000	>5 years Kshs'000	Total Kshs'000
Assets					
Debt Securities at amortised cost	633,241	1,479,622	1,466,057	3,066,024	6,644,944
Corporate bonds at amortised cost	53,549	137,267	-	-	190,816
Deposits with financial institutions	386,310	-	-	-	386,310
Receivables arising out of reinsurance arrangements	90,199	-	-	-	90,199
Reinsurers' share of technical provisions and reserves	1,631,626	508,734	5,770	5	2,146,135
Receivables arising out of direct insurance arrangements	134,632	199,010	199,010	32,189	564,841
Cash and bank balances	21,779	-	-	-	21,779
Other receivables	236,640	226,613	-	-	463,253
Total assets	**3,187,976**	**2,551,246**	**1,670,837**	**3,098,218**	**10,508,277**
Outstanding claims provision	2,746,348	1,106,923	-	-	3,853,271
Payables arising from reinsurance arrangements	50,764	115,961	115,961	57,980	340,666
Lease liability	119,423	261,973	293,629	226,154	901,179
Other payables	351,550	-	-	-	351,550
Total liabilities	**3,268,085**	**1,484,857**	**409,590**	**284,134**	**5,446,666**
Liquidity gap	**(80,109)**	**1,066,389**	**1,261,247**	**2,814,084**	**5,061,611**

31 December 2018	1 year Kshs'000	2 years Kshs'000	3-5 years Kshs'000	5 years Kshs'000	Total Kshs'000
Assets					
Debt Securities at amortised cost	707,213	1,285,413	1,187,719	2,858,934	6,039,279
Corporate bonds at amortised cost	104,107	114,893	70,900	-	289,900
Deposits with financial institutions	158,273	18,197	-	-	176,470
Receivables arising out of reinsurance arrangements	109,946	17,307	17,307	8,654	153,214
Reinsurers' share of technical provisions and reserves	1,755,573	476,766	32,741	2,655	2,267,735
Receivables arising out of direct insurance arrangements	56,999	107,379	109,478	82,190	356,046
Cash and bank balances	8,895	-	-	-	8,895
Other receivables	344,210	73,648	-	-	417,858
Total assets	**3,245,216**	**2,093,603**	**1,418,145**	**2,952,432**	**9,709,397**
Outstanding claims provision	2,575,058	1,397,191	212,316	19,024	4,203,589
Payables arising from reinsurance arrangements	(1,699)	144,392	40,720	20,360	203,773
Other payables	144,579	229,276	169,394	-	543,249
Total liabilities	**2,717,938**	**1,770,859**	**422,430**	**39,384**	**4,950,611**
Liquidity gap	**527,278**	**322,744**	**995,715**	**2,913,048**	**4,758,786**

The liquidity gap on 1 year is adequately covered by cash flows from day to day operations.

The Group and Company does not maintain cash resources to meet all of the liability needs. The Board sets limits on the minimum proportion of funds available to meet any unexpected levels of liability payments.

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(ii) Financial risks (continued)

(d) Fair value hierarchy

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Nairobi Securities Exchange ("NSE") equity investments and government bonds classified as available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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).

The following table presents the Group's financial and non-financial assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018.

GROUP

31 December 2019	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
- Equity securities at fair value through profit or loss	1,098,510	-	-	1,098,510
- Equity securities at fair value through other comprehensive income	6,354	-	-	6,354
- Debt securities at fair value through other comprehensive income	651,275	-	-	651,275
- Investment Property	-	-	2,765,000	2,765,000
- Corporate Bonds at fair value through profit or loss	16,694	-	-	16,694
	1,772,833	**-**	**2,765,000**	**4,537,833**

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)
(ii) Financial risks (continued)
(d) Fair value hierarchy (continued)

GROUP

31 December 2018	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
- Equity securities at fair value through profit or loss	950,705	-	-	950,705
- Equity securities at fair value through other comprehensive income	6,242	-	-	6,242
- Debt securities at fair value through other comprehensive income	352,593	-	-	352,593
- Investment Property	-	-	2,750,000	2,750,000
- Corporate Bonds at fair value through profit or loss	15,852	-	-	15,852
	1,325,392	**-**	**2,750,000**	**4,075,392**

COMPANY

31 December 2019	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
- Equity securities at fair value through profit or loss	1,012,036	-	-	1,012,036
- Debt securities at fair value through other comprehensive income	651,275	-	-	651,275
- Investment Property	-	-	2,765,000	2,765,000
- Corporate Bonds at fair value through profit or loss	16,694	-	-	16,694
	1,680,005	**-**	**2,765,000**	**4,445,005**

31 December 2018	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
- Equity securities at fair value through profit or loss	852,876	-	-	852,876
- Debt securities at fair value through other comprehensive income	352,593	-	-	352,593
- Investment Property	-	-	2,750,000	2,750,000
- Corporate Bonds at fair value through profit or loss	15,852	-	-	15,852
	1,221,321	**-**	**2,750,000**	**3,971,321**

There were no transfers between levels 1 and 2 during the year.

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(iii) Capital risk management

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- Allocation of capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- Aligning the profile of assets and liabilities taking account of risks inherent in the business.
- Maintaining financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- Maintaining strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders value.

The operations of the group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The group has met all of these requirements throughout the financial year.

The Kenyan and Tanzania Insurance Acts require each insurance company to hold the minimum level of paid up capital as follows:

	Kenya Ksh'000	Tanzania Ksh'000
General insurance companies	600,000	117,182

Both companies are in compliance with the capital requirements as at 31 December 2019.

The solvency margin of the Company as at 31 December 2019 and 2018 is illustrated below.

Kenya

The Capital Adequacy Ratio based on the Risk Based Model is as follows:-

	2019 Ksh'000	2018 Ksh'000
Total Capital Available	3,912,681	3,749,628
Minimum Required Capital	1,633,762	1,558,622
Capital Adequacy Ratio	239%	240%

4 RISK MANAGEMENT (continued)

Management of Insurance and financial risk (continued)

(iii) Capital risk management (continued)

Tanzania

As per the provisions of the Tanzania Insurance Act, the minimum amount of paid up share capital to be maintained by a life or general insurer shall be:-

- for the year ending December 31, 2012 one billion five hundred Million Shillings;
- for the end of subsequent years, the minimum amount of paid up share capital for the prior year times the lesser of 1.1 or the ratio of the current year Consumer Price Index to the prior year Consumer Price Index;
- for companies transacting non-life and non- marine business only the minimum amount of capital to be maintained shall be half of the amount provided under this sub regulation.

For the case of ICEA LION, paid up capital has been increasing by 10% of prior year paid up capital year-on- year as follows:

	2019 Tsh'000	2018 Tsh'000
Paid up capital	2,657,342	2,657,342

5 (a) GROSS WRITTEN PREMIUMS

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Motor	1,927,316	1,637,053	1,791,705	1,529,868
Fire	1,206,781	1,075,835	1,076,650	1,014,213
Aviation and Marine	1,415,986	1,597,552	1,387,618	1,571,829
Other	932,577	951,646	899,511	940,090
Theft	323,582	252,458	287,903	216,455
Personal accident	232,261	213,858	223,300	208,424
Engineering	215,330	210,468	189,125	128,399
	6,253,833	**5,938,870**	**5,855,812**	**5,609,278**

5 (b) GROSS EARNED PREMIUMS

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Motor	1,757,924	1,694,127	1,642,035	1,585,110
Fire	1,148,638	1,115,528	1,024,532	1,067,816
Aviation and Marine	1,525,608	1,454,961	1,501,700	1,434,498
Other	891,539	921,604	868,512	916,353
Theft	286,915	261,868	250,782	230,594
Personal accident	225,020	216,473	216,390	212,232
Engineering	198,981	267,489	174,266	183,453
	6,034,625	**5,932,050**	**5,678,217**	**5,630,056**

5 (c) REINSURANCE PREMIUMS CEDED

	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Motor	146,253	41,010	125,602	10,617
Fire	856,697	795,669	756,961	765,058
Aviation and Marine	1,400,873	1,308,543	1,384,467	1,297,206
Other	274,810	251,756	257,430	248,578
Theft	77,499	51,011	62,456	33,278
Personal accident	152,829	104,832	148,878	101,375
Engineering	120,069	204,034	101,442	137,911
	3,029,030	**2,756,855**	**2,837,236**	**2,594,023**

6 COMMISSIONS EARNED

	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Commissions receivable	480,099	453,040	422,891	394,814
Add: movement in deferred reinsurance commission	(31,270)	17,392	(26,494)	22,875
Commissions earned	**448,829**	**470,432**	**396,397**	**417,689**

7 (a) INVESTMENT INCOME

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Interest on deposits with financial institutions	36,959	27,304	23,534	12,894
Interest on corporate bonds held at amortised cost	23,169	30,129	23,169	30,129
Interest on corporate bonds held at fair value through profit or loss	1,897	2,144	1,897	2,144
Interest on debt securities – amortised cost	507,552	512,776	493,866	499,816
– fair value through other comprehensive income	41,152	44,800	41,152	44,800
Total interest income	**610,729**	**617,153**	**583,618**	**589,783**
Dividends receivable on equity instruments	56,373	42,933	52,050	38,214
Rental income from investment properties	233,300	226,266	233,300	226,266
Fair value (losses)/gains on investment properties (Note 21)	(555)	20,000	(555)	20,000
Other income	23,983	21,879	21,101	12,862
Gain on disposal of Treasury Bonds	10,019	-	10,019	-
Gain/loss on revaluation of equity instruments	153,662	(178,307)	164,637	(169,548)
Gain on revaluation of corporate bond	1,262	518	1,262	518
Loss on disposal of equity instruments	4,925	(4,730)	4,925	(4,730)
	1,093,698	**745,712**	**1,070,357**	**713,365**

7 (b) FINANCE INCOME

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Finance income on investment in sub-lease	8,070	-	8,070	-
	8,070	**-**	**8,070**	**-**

8 FOREIGN EXCHANGE GAINS/(LOSSES)

Foreign exchange losses arise from translation of foreign currency denominated transactions into the local currency. These are further categorized into realized and unrealized gains/(losses) as follows:

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Realized gains/(losses)	3,739	10	2,820	(502)
Unrealized losses	574	(421)	574	(223)
Net foreign exchange gains/(losses)	**4,313**	**(411)**	**3,394**	**(725)**

9 CLAIMS EXPENSE

	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Gross claims expense	1,918,451	2,053,781	1,792,735	1,915,892
Less: amounts recoverable from reinsurers	(632,477)	(346,906)	(537,351)	(273,815)
Net claims expense	**1,285,974**	**1,706,875**	**1,255,384**	**1,642,077**

10 COMMISSIONS EXPENSE

	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Commissions payable	673,318	635,742	607,959	580,520
Change in deferred acquisition costs	(51,198)	16,275	(43,537)	22,669
Commissions expense	**622,120**	**652,017**	**564,422**	**603,189**

11 (a) OPERATING AND OTHER EXPENSES

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Employee benefit expense (note 12)	783,143	732,125	710,478	656,870
Investment expenses	42,458	38,049	37,565	33,045
Depreciation on property and equipment (note 18)	40,144	57,917	36,955	54,678
Depreciation on right-of-use asset IFRS 16 (note 19)	61,647	-	52,292	-
Operating lease rentals	-	113,692	-	101,751
Variable lease payment not included in lease liability	13,503	-	13,494	-
Repairs and maintenance	13,681	15,218	13,123	14,766
Branding and marketing expenses	29,937	29,426	29,937	29,426
Professional and consultancy fees	26,830	33,145	16,660	24,126
Levies	70,752	62,015	63,312	57,423
Auditors' renumeration	6,219	6,062	4,002	3,761
Directors' emoluments				
- fees for services as directors	7,687	7,656	2,515	3,680
Amortisation of intangible assets (note 17)	8,590	10,893	8,135	10,227
Recruitment fees	1,318	3,529	1,301	3,529
Training fee	14,995	8,460	14,228	7,411
Electricity and water	6,213	6,458	4,912	5,059
Entertainment	4,434	4,988	3,639	4,328
Motor vehicle expenses	5,799	6,125	3,932	4,144
Printing and stationery	16,242	16,203	14,587	12,636
Postage and telephone	17,677	19,394	13,595	15,478
Travelling	20,984	18,549	13,357	15,336
Bank charges	6,796	5,475	5,649	4,419
Subscriptions	4,260	4,579	3,644	3,866
Donations	920	1,662	915	1,549
Books, newspapers, magazines & periodicals	2,317	1,638	1,293	1,022
Share of motor pool expenses	1,611	2,282	1,611	2,282
Business development marketing expenses	94,486	118,224	94,486	118,224
Software expenses	30,052	31,983	28,531	30,106
IT expenses	9,804	14,307	9,192	14,015
Insurance	33,221	33,319	32,027	32,341
Security	4,063	4,120	4,063	4,120
Cleaning	5,427	5,844	4,911	5,159
Other expenses	27,986	25,061	6,506	8,710
Operating and other expenses	**1,413,195**	**1,438,399**	**1,250,847**	**1,283,487**

11 (b) FINANCE COST

	GROUP 2019 Ksh'000	GROUP 2018 Ksh'000	COMPANY 2019 Ksh'000	COMPANY 2018 Ksh'000
Interest on lease liabilities	75,453	-	73,510	-
	75,453	**-**	**73,510**	**-**

11 (c) IMPAIRMENT OF FINANCIAL ASSETS

	GROUP 2019 Ksh'000	GROUP 2018 Ksh'000	COMPANY 2019 Ksh'000	COMPANY 2018 Ksh'000
Impairment charge on receivables arising out of reinsurance arrangements	54,758	(37,159)	64,569	(37,159)
Impairment charge on receivables arising out of direct insurance arrangements	(4,042)	33,738	(9,687)	42,293
Total impairment charge on receivables (Note 29(b))	**50,716**	**(3,421)**	**54,882**	**5,134**
Impairment charge on investment and other assets	8,728	6,235	6,482	(389)
	59,444	**2,814**	**61,364**	**4,745**

12 EMPLOYEE BENEFIT EXPENSES

	GROUP 2019 Ksh'000	GROUP 2018 Ksh'000	COMPANY 2019 Ksh'000	COMPANY 2018 Ksh'000
Employee costs				
Salaries and benefits	681,717	615,417	622,890	551,652
Defined contribution retirement schemes				
- Group pension fund	45,766	41,300	45,766	41,300
- National Social Security Fund	6,191	6,588	500	370
Medical	32,506	21,681	28,302	18,254
Staff welfare	16,963	47,139	13,020	45,294
	783,143	**732,125**	**710,478**	**656,870**
The average number of employees during the year was as follows:				
- Business Development	64	58	52	51
- Operations	88	87	73	73
- Management and administration	63	59	52	48
	215	**204**	**177**	**172**

13 INCOME TAX EXPENSE

a) Tax expense

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Current income tax expense	278,891	178,594	278,891	178,594
Deferred income tax (credit)/expense (Note 26(b))	(59,866)	(12,198)	(58,883)	384
Prior year curent tax over-provision	-	11,297	-	11,297
Prior year deferred tax over-provision	(658)	-	(658)	-
	218,367	**177,693**	**219,350**	**190,275**

b) Reconciliation of tax expense to expected tax based on accounting profit

The group's income tax expense is computed in accordance with income tax rules applicable to general insurance companies.

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Profit before income tax	1,104,319	590,823	1,113,672	632,864
Tax calculated at a tax rate of 30% (2018: 30%)	331,295	177,247	334,102	189,859
Tax effect of:				
- Income not subject to tax	(131,399)	(76,510)	(127,097)	(75,094)
- Expenses not deductible for tax purposes	19,129	65,659	13,003	64,213
Prior year current tax under-provision	-	11,297	-	11,297
Prior year deferred tax under-provision	(658)	-	(658)	-
	218,367	**177,693**	**219,350**	**190,275**

c) Tax movement

	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	(75,527)	73,867	(55,260)	90,221
Current taxation expense	278,891	178,594	278,891	178,594
Tax paid	(200,045)	(339,285)	(197,177)	(335,371)
Prior year current tax under-provision	-	11,297	-	11,297
Exchange difference on translation	82	-	-	-
At 31 December	**3,401**	**(75,527)**	**26,454**	**(55,260)**

d) Analysed as follows:

Current tax recoverable	(23,053)	(75,527)	-	(55,260)
Current tax payable	26,454	-	26,454	-
	3,401	**(75,527)**	**26,454**	**(55,260)**

14 PROFIT FOR THE YEAR

A profit of Ksh 894,322,000 (2018: Ksh 442,589,000) has been dealt with in the books of the company, ICEA LION General Insurance Company Limited.

15 EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit for the year attributable to equity holders of the parent company by the number of ordinary shares in issue at the end of the reporting period.

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Profit attributable to ordinary shareholders (Ksh'000)	889,886	426,976	894,322	442,589
Number of ordinary shares for basic earnings per share ('000)	50,000	50,000	50,000	50,000
Basic and diluted earnings per share (Ksh)	**17.80**	**8.54**	**17.89**	**8.85**

There were no potentially dilutive shares outstanding at 31 December 2019 or 31 December 2018. Diluted earnings per share are therefore the same as basic earnings per share.

16 DIVIDENDS

Ksh 50,000,000 interim dividend (2018: nil) was paid in the year. At the annual general meeting, a final dividend in respect of 2019 of Kshs 3 per share amounting to Kshs 150,000,000 (2018: Ksh 200,000,000) will be proposed by the directors. The final proposed dividend for the year is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements. The total dividend for the year ended 31 December 2019 will therefore be Ksh 4.00 per share (2018: Ksh 4.00 per share) amounting to a total of Ksh 200,000,000 (2018: Ksh 200,000,000).

17 INTANGIBLE ASSETS – COMPUTER SOFTWARE

(a) GROUP

Cost	2019 Computer Software Ksh'000	2019 Work in progress Ksh'000	2019 Total Ksh'000	2018 Computer Software Ksh'000	2018 Work in progress Ksh'000	2018 Total Ksh'000
Cost						
At 1 January	123,331	-	123,331	111,843	-	111,843
Additions	2,762	2,180	4,942	11,525	-	11,525
Disposals	(1,087)	-	(1,087)	-	-	-
Exchange difference	(21)	-	(21)	(37)	-	(37)
At 31 December	**124,985**	**2,180**	**127,165**	**123,331**	**-**	**123,331**
Depreciation						
At 1 January	109,411	-	109,411	99,292	-	99,292
Charge for the year	8,591	-	8,591	10,839	-	10,839
On Disposals	(1,087)	-	(1,087)	-	-	-
Exchange difference	(18)	-	(18)	(720)	-	(720)
At 31 December	**116,897**	**-**	**116,897**	**109,411**	**-**	**109,411**
Net book value						
At 31 December	**8,088**	**2,180**	**10,268**	**13,920**	**-**	**13,920**

Work in progress represents costs incurred towards development of an operations software.

17 INTANGIBLE ASSETS – COMPUTER SOFTWARE (continued)

(b) COMPANY

Cost	2019 Computer Software Ksh'000	2019 Work in progress Ksh'000	2019 Total Ksh'000	2018 Computer Software Ksh'000	2018 Work in progress Ksh'000	2018 Total Ksh'000
Cost						
At 1 January	121,224	-	121,224	109,860	-	109,860
Additions	2,735	2,180	4,915	11,364	-	11,364
Disposals	(1,087)	-	(1,087)	-	-	-
At 31 December	**122,872**	**2,180**	**125,052**	**121,224**	**-**	**121,224**
Depreciation						
At 1 January	108,206	-	108,206	97,979	-	97,979
Charge for the year	8,135	-	8,135	10,227	-	10,227
On Disposals	(1,087)	-	(1,087)	-	-	-
At 31 December	**115,254**	**-**	**115,254**	**108,206**	**-**	**108,206**
Net book value						
At 31 December	**7,618**	**2,180**	**9,798**	**13,018**	**-**	**13,018**

Work in progress represents costs incurred towards development of an operations software.

18 PROPERTY AND EQUIPMENT

(a) GROUP

	Motor vehicles Ksh'000	Computer equipment Ksh'000	Furniture fittings and office equipment Ksh'000	Total Ksh'000
Cost				
At 1 January 2018	**74,244**	**88,590**	**287,103**	**449,937**
Additions	-	7,323	6,340	13,663
Disposal	(12,684)	(7,935)	(36)	(20,655)
Exchange difference on translation	(600)	(246)	(333)	(1,179)
At 31 December 2018	**60,960**	**87,732**	**293,074**	**441,766**
At 1 January 2019	**60,960**	**87,732**	**293,074**	**441,766**
Additions	1,217	9,243	10,428	20,888
Disposals	(1,687)	(2,686)	(25,801)	(30,174)
Exchange difference on translation	(600)	(246)	(333)	(1,179)
At 31 December 2019	**59,890**	**94,043**	**277,368**	**431,301**
Depreciation				
At 1 January 2018	67,943	70,392	171,081	309,416
Charge for the year	4,655	10,391	42,871	57,917
Elimination on disposal	(12,690)	(7,930)	(36)	(20,656)
Exchange difference on translation	(437)	(182)	(390)	(1,009)
At 31 December 2018	**59,471**	**72,671**	**213,526**	**345,668**
At 1 January 2019	**59,471**	**72,671**	**213,526**	**345,668**
Charge for the year	1,164	9,321	29,659	40,144
Elimination on disposal	(1,691)	(2,519)	(25,799)	(30,009)
Exchange difference on translation	(646)	(266)	(236)	(1,148)
At 31 December 2019	**58,298**	**79,207**	**217,150**	**354,655**
Net book value				
At 31 December 2019	**1,592**	**14,836**	**60,220**	**76,646**
At 31 December 2018	**1,489**	**15,061**	**79,548**	**96,098**

Fully depreciated assets at 31 December 2019 amounted to Ksh 350,801,570 (2018 – Ksh 192,860,274). The notional annual depreciation on these assets would have been Ksh 66,173,966 (2018 – Ksh 41,494,150).

None of the Group's property and equipment has been pledged as security for borrowings.

18 PROPERTY AND EQUIPMENT (continued)

(b) COMPANY

	Motor vehicles Ksh'000	Computer equipment Ksh'000	Furniture fittings and office equipment Ksh'000	Total Ksh'000
Cost				
At 1 January 2018	58,944	82,264	272,815	414,023
Additions	-	7,123	6,017	13,140
Disposals	(10,938)	(7,768)	(36)	(18,742)
Adjustments	-	-	227	227
At 31 December 2018	**48,006**	**81,619**	**279,023**	**408,648**
At 1 January 2019	48,006	81,619	279,023	408,648
Additions	-	8,444	9,400	17,844
Disposals	-	(1,046)	(25,743)	(26,789)
At 31 December 2019	**48,006**	**89,017**	**262,680**	**399,703**
Depreciation				
At 1 January 2018	55,311	65,137	163,373	283,821
Charge for the year	3,632	9,847	41,199	54,678
Disposals	(10,937)	(7,768)	(36)	(18,742)
At 31 December 2018	**48,006**	**67,216**	**204,536**	**319,757**
At 1 January 2019	**48,006**	**67,216**	**204,536**	**319,757**
Charge for the year	-	8,905	28,050	36,955
Disposals	-	(1,046)	(25,741)	(26,787)
At 31 December 2019	**48,006**	**75,075**	**206,845**	**329,925**
Net book value				
At 31 December 2019	**-**	**13,942**	**55,835**	**69,777**
At 31 December 2018	**-**	**14,403**	**74,487**	**88,891**

Fully depreciated assets at 31 December 2019 amounted to Ksh 329,221,487 (2018: Ksh 176,065,692). The notional annual depreciation on these assets would have been Ksh 61,462,475 (2018: Ksh 37,544,327).

None of the Company's assets has been pledged as security for borrowings.

19 RIGHT-OF-USE ASSET

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Cost				
At 1 January	-	-	-	-
Day one adjustment	397,952	-	368,600	
Additions during the year	27,555	-	27,555	-
At 31 December	**425,507**	**-**	**396,155**	**-**
Depreciation				
At 1 January	-	-	-	-
Charge for the year	61,647	-	52,292	-
Exchange difference	(20)	-	-	-
At 31 December	**61,627**	**-**	**52,292**	**-**
Net book value	**363,880**	**-**	**343,863**	**-**

The Group and Company leases various office premises. The average lease term is five years.

Three of the Company leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of Ksh 27 million in 2019.

The maturity analysis of the lease liabilities is presented in note 40.

	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Depreciation expense on right-of-use assets	61,647	-	52,292	-
Interest expense on lease liabilities	75,453	-	73,510	-
Expense relating to variable lease payments not included in the measurement of the lease liability	13,502	-	13,494	-
Income from investment in sub-lease	8,070	-	8,070	-

The Group and Company makes payments in relation to service charge on its leased properties. These amounts are not included in the calculation of the lease liability as the actual cost to the group depends on the actual expenses incurred which varies from time to time.

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.

20 INVESTMENT IN SUBSIDIARIES

COMPANY	Beneficial ownership	Country of incorporation	2019 Sh'000	2018 Sh'000
At cost				
ICEA LION General Insurance Company (Tanzania) Limited	53%	Tanzania	50,147	50,147

The principal activity of ICEA LION General Insurance Company (Tanzania) Limited is the underwriting of the general insurance business. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the group.

Impairment testing

During the year, an impairment test was carried out on the investment in subsidiary and it was concluded that the investment in not impaired.

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within Tanzania. The supervisory frameworks require the subsidiary to keep certain solvency levels and comply with other ratios.

Set out below is the summarised financial information for the subsidiary

Summarised statement of financial position	2019 Ksh'000	2018 Ksh'000
Total assets	776,148	715,437
Total liabilities	(553,142)	(482,227)
Net assets	**223,006**	**233,210**

20 INVESTMENT IN SUBSIDIARIES (continued)

	2019 Ksh'000	2018 Ksh'000
Summarised statement of comprehensive income		
Gross earned premiums	356,408	301,995
Underwriting loss	(28,721)	(76,269)
Loss before income tax	**(9,355)**	**(48,611)**
Income tax credit	984	12,583
Other comprehensive income	97	2,073
Total comprehensive loss	(8,274)	(33,955)
Total comprehensive income allocated to non-controlling interests	(3,888)	(19,582)
Summarised cash flows		
Net cash generated from operating activities	27,002	17,789
Net cash used in investing activities	(39,197)	(26,224)
Net cash used in financing activities	(12,843)	(1,189)
Net decrease in cash and cash equivalents	**(25,038)**	**(9,624)**
Cash and cash equivalents at beginning of year	85,647	103,892
Exchange gain on cash and cash equivalents	(356)	(8,621)
Cash and cash equivalents at end of year	**60,253**	**85,647**

21 INVESTMENT PROPERTIES

GROUP AND COMPANY

	2019 Ksh'000	2018 Ksh'000
At 1 January	2,750,000	2,730,000
Additions	15,555	-
Fair value (loss) /gain	(555)	20,000
At 31 December	**2,765,000**	**2,750,000**

The investment properties were last revalued at 31 December 2019 by Lloyd Masika Limited, independent valuers on the basis of open market value for existing use.

Rental income arising from investment properties during the year amounted to Ksh 233,300,000 (2018: Ksh 226,266,000). Expenses relating to investment property amounted to Ksh 37,565,000 (2018: Ksh 33,045,000).

The additions during the year represent costs incurred in construction of a wall on one of the investment properties.

Refer to note 4 for the fair value hierarchy disclosure and note 3 for the sensitivity effects of changes in gross annual rental and the yield.

22 OTHER RECEIVABLES

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Staff receivables	33,536	24,989	27,448	20,911
Sundry receivables	93,336	73,688	93,079	66,671
Rental receivables	98,978	110,694	98,978	110,694
Prepayments	11,867	2,397	2,995	2,397
Due from related parties (Note 50)	14,140	23,917	14,140	23,917
	251,857	**235,685**	**236,640**	**224,590**

The carrying value of the above other receivable balances approximates their fair value.

23 DUE FROM SUBSIDIARY COMPANY

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Due from ICEA LION Tanzania	-	-	6,078	3,236

The balance due from the subsidiary company is non-interest bearing and is repayable within 3 months.

24 KENYA MOTOR INSURANCE POOL

This represents the group's share of the net assets of the pool. This balance is recoverable from the pool through a refund of the amount due upon discontinuation of the pool as well as a share of investment income generated by the pool's investments annually. The movement in the amount due is shown below;

GROUP AND COMPANY

	2019 Ksh'000	2018 Ksh'000
At 1 January	93,901	91,231
Proceeds from Kenya Motor Pool	(28,992)	-
Net increase in the group's share of net assets of the pool	9,857	2,764
Impairment charge	(75)	(94)
At 31 December	**74,691**	**93,901**

25 INVESTMENT IN SUB-LEASE

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Investment in sub-lease	65,988	-	65,988	-

26 DEFERRED INCOME TAX ASSET/LIABILITY

Deferred taxation is calculated, on all temporary differences under the liability method using the income tax rates of 30% applicable in both Kenya and Tanzania.

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
(a) The deferred income tax liability/asset is attributable to the following items:				
Deferred tax liability:				
Revaluation surplus - Investment properties at 30%	544,278	544,444	544,278	544,444
Unrealised exchange gain	-	19	-	(67)
	544,278	**544,463**	**544,278**	**544,377**
Deferred tax assets:				
Excess depreciation over capital allowances	(19,833)	(18,704)	(19,729)	(18,526)
Provisions	(230,530)	(120,349)	(212,866)	(102,367)
IFRS 9 adjustment	-	(14,683)	-	-
Unrealised tax losses	(15,687)	-	-	-
Fair value losses on other comprehensive income	(5,622)	-	(5,664)	-
	(271,672)	**(153,736)**	**(238,259)**	**(120,893)**
Net deferred tax liability	**272,606**	**390,727**	**306,019**	**423,484**
(b) Movement in deferred tax income liability/asset is as follows:				
At 1 January	**390,727**	**472,393**	**423,484**	**484,447**
Income statement (credit) /charge (note 13a)	(59,866)	(12,198)	(58,883)	384
Day 1 IFRS 16 adjustment	(52,509)	-	(52,260)	-
Day 1 IFRS 9 adjustment	-	(70,040)	-	(61,347)
Prior year deferred tax over-provision	(658)	-	(658)	-
Deferred tax on other comprehensive income	(5,622)	-	(5,664)	-
Exchange difference on translation	534	572	-	-
At 31 December	**272,606**	**390,727**	**306,019**	**423,484**
(c) Analysis of the year-end balance is as follows:				
Deferred taxation assets	(33,413)	(32,757)	-	-
Deferred taxation liabilities	306,019	423,484	306,019	423,484
At 31 December	**272,606**	**390,727**	**306,019**	**423,484**

27 DEFERRED ACQUISITION COSTS

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	212,918	229,764	193,268	215,937
Decrease in the year	51,099	(16,846)	43,537	(22,669)
At 31 December	**264,017**	**212,918**	**236,805**	**193,268**

28 REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Reinsurers' share of				
- unearned premiums	1,188,648	1,208,817	1,111,928	1,151,017
- outstanding claims	1,174,588	1,250,734	1,034,208	1,116,718
	2,363,236	**2,459,551**	**2,146,136**	**2,267,735**

29(a) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

The approved credit period for corporate accounts is 60 days while for direct and retail accounts is 30 days. Before accepting any new customer, the group assesses the customer's credit quality and defines credit limits for that specific customer. The concentration of credit risk arises from commercial lines business which contributes over 80% of the total gross written premium.

GROUP	Fully performing Ksh'000	Impaired Ksh'000	Total Ksh'000
31 December 2019			
Receivable arising out of direct insurance arrangements	931,053	-	931,053
Provision for impairment	-	(362,752)	(362,752)
	931,053	**(362,752)**	**568,301**
31 December 2018			
Receivable arising out of direct insurance arrangements	739,732	-	739,732
Provision for impairment	-	(372,400)	(372,400)
	739,732	**(372,400)**	**367,332**
COMPANY			
31 December 2019			
Receivable arising out of direct insurance arrangements	919,497	-	919,497
Provision for impairment	-	(354,655)	(354,655)
	919,497	**(354,655)**	**564,842**
31 December 2018			
Receivable arising out of direct insurance arrangements	720,388	-	720,388
Provision for impairment	-	(364,342)	(364,342)
	720,388	**(364,342)**	**356,046**

29(b) IMPAIRMENT MOVEMENT

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	478,634	335,242	446,504	315,022
Day one adjustment	-	219,021	-	197,078
Write off	(5,559)	(71,458)	-	(70,730)
Charge for the year	50,716	(3,421)	54,882	5,134
Exchange difference	(125)	(750)	-	-
	523,666	**478,634**	**501,386**	**446,504**
Made up				
Impairment on direct insurance arrangements (Note 29(a))	362,752	372,400	354,655	364,342
Impairment on receivables arising out of reinsurance arrangements (Note 30)	160,914	106,234	146,731	82,162
	523,666	**478,634**	**501,386**	**446,504**

30 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

GROUP

	Fully performing Ksh'000	Impaired Ksh'000	Total Ksh'000
31 December 2019			
Receivable arising out of reinsurance arrangements	278,812	-	278,812
Provision for impairment	-	(160,914)	(160,914)
	278,812	**(160,914)**	**117,898**
31 December 2018			
Receivable arising out of reinsurance arrangements	277,052	-	277,052
Provision for impairment	-	(106,234)	(106,234)
	277,052	**(106,234)**	**170,818**

COMPANY

31 December 2019			
Receivable arising out of reinsurance arrangements	236,930	-	236,930
Provision for impairment	-	(146,731)	(146,731)
	236,930	**(146,731)**	**90,199**
31 December 2018			
Receivable arising out of reinsurance arrangements	235,376	-	235,376
Provision for impairment	-	(82,162)	(82,162)
	235,376	**(82,162)**	**153,214**

31 (a) CORPORATE BONDS AT AMORTISED COST

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Corporate bonds maturing:				
- Within 1 to 10 years	140,138	232,404	140,138	232,404
- Re-classified to fair value through profit or loss (Note 31 (b))	-	(15,334)	-	(15,334)
At 31 December	**140,138**	**217,070**	**140,138**	**217,070**

31 (b) CORPORATE BONDS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	15,852	-	15,852	-
Re-classification from amortised cost (Note 31 (a))	-	15,334	-	15,334
Fair value gains	1,262	518	1,262	518
Prior period fair value losses	(420)	-	(420)	-
At 31 December	**16,694**	**15,852**	**16,694**	**15,852**

32 (a) DEBT SECURITIES AT AMORTISED COST

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Treasury bills and bonds maturity				
- Within 3 months	-	-	-	-
- Within 4 to 12 months	218,459	284,155	188,094	275,590
- Within 1 to 5 years	2,745,457	1,161,142	2,745,457	1,144,349
- Over 5 years	1,311,469	2,718,596	1,247,896	2,655,153
	4,275,385	**4,163,893**	**4,181,447**	**4,075,092**

If the financial assets were measured at fair value, they would be disclosed at level 1 in the fair value measurement hierarchy. The fair value of these investments as at 31 December 2019 was Ksh 5,436,518,000 (2018: Ksh 4,327,263,000) and Ksh 5,361,817,000 (2018: Ksh 4,253,226,000) at the Group and Company level respectively.

32 (b) DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	352,593	395,760	352,593	395,760
Additions/ (disposals)	292,198	(51,973)	292,198	(51,973)
Fair value gains	6,484	8,806	6,484	8,806
At 31 December	**651,275**	**352,593**	**651,275**	**352,593**

33(a) EQUITY SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	6,242	1,044,940	-	929,701
Fair value gains/(losses)	140	2,365	-	-
Reclassification to fair values through profit or loss	-	(1,041,063)		(929,701)
Exchange difference on translation	(28)	-	-	-
At 31 December	**6,354**	**6,242**	**-**	**-**

33(b) EQUITY SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	950,705	-	852,876	-
Re-classified from fair value through other comprehensive income	-	1,041,063	-	929,701
Additions	32,868	114,239	32,868	114,239
Disposals	(38,345)	(21,516)	(38,345)	(21,516)
Fair value gains/(losses)	153,662	(178,307)	164,637	(169,548)
Exchange difference on translation	(380)	(4,774)	-	-
At 31 December	**1,098,510**	**950,705**	**1,012,036**	**852,876**

34 DEPOSITS WITH FINANCIAL INSTITUTIONS AT AMORTISED COST

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Deposits maturing:				
- Within 3 months	240,080	297,954	199,532	163,504
- Beyond 3 months	347,130	125,839	189,536	62,386
- Provision for impairment	(3,547)	(1,503)	(2,758)	(1,503)
	583,663	**422,290**	**386,310**	**224,387**

35 WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The following table summarises the weighted average effective interest rates realised during the year on interest-bearing investments:

	GROUP		COMPANY	
	2019 %	2018 %	2019 %	2018 %
Government securities	14.1	14.1	12.4	12.0
Corporate bonds	13.3	13.3	13.3	13.3
Deposits with financial institutions	7.6	6.6	8.3	6.0

36 SHARE CAPITAL: GROUP AND COMPANY

	Number of shares '000	Ordinary shares Ksh'000
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	50,000	1,000,000

The total authorised number of ordinary shares is 50,000,000 with a par value of Ksh 20 per share. All issued shares are fully paid.

37 RESERVES

(a) Other reserve

The reserve represents the surplus on the revaluation of financial instruments held at fair value through other comprehensive income net of deferred tax. This reserve is not distributable.

(b) Contingency reserve

The contingency reserve relates to the subsidiary, ICEA LION General Insurance Company (Tanzania) Limited. According to Tanzania Insurance Act 2009, a contingency reserve is required to be maintained. This reserve shall not be less than 3% of the net premium written or 20% of net profit, whichever is the greater. The reserve shall accumulate until it reaches the minimum paid up share capital of the company or 50% of the net earned premiums, whichever is greater. This reserve is not distributable.

(c) Currency translation reserve

The statement of financial position of the subsidiary, ICEA LION General Insurance Company (Tanzania) Limited, is translated into Kenya Shillings at year end rate of exchange, while the statement of comprehensive income is translated into Kenya Shillings at the average rate of exchange for the year. The resulting translation differences are dealt with through other comprehensive income and accumulated in equity under the group's currency translation reserve. This reserve is not distributable.

(d) Retained earnings

Retained earnings represent the percentage of net earnings not paid out as dividends, but retained by the group to be reinvested in its core business activities.

38 NON-CONTROLLING INTEREST

	GROUP	
	2019 Ksh'000	2018 Ksh'000
At 1 January	109,248	140,788
Share of loss for the year	(3,934)	(13,846)
Share of loss on other comprehensive income	46	(5,736)
Transfer to contingency reserve	(2,639)	(2,080)
Day one adjustment on IFRS 16	(276)	-
Day one adjustment on IFRS 9	-	(9,878)
Total at end of year	**102,445**	**109,248**

39 OTHER PAYABLES

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Accrued expenses	244,469	326,008	244,469	326,008
Due to related parties	23,111	-	23,111	-
Other liabilities	208,492	162,269	154,975	119,207
	476,072	**488,277**	**422,555**	**445,215**

The carrying amount of the above other payables approximates their fair value.

40 LEASE LIABILITY

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	-	-	-	-
Day one adjustment on adoption of IFRS 16	640,366	-	610,180	-
Additions during the year	27,555		27,555	
Interest charge for the year	75,453	-	73,510	-
Repayment during the year	(121,837)	-	(111,029)	-
Exchange difference	(2,041)	-	-	-
At 31 December	**619,496**	**-**	**600,215**	**-**

Maturity analysis of operating lease payments:

	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Year 1	127,905	-	119,423	-
Year 2	137,045	-	127,095	-
Year 3	136,238	-	134,878	-
Year 4	144,968	-	143,419	-
Year 5	150,210	-	150,210	-
Year 6 and onwards	226,154	-	226,154	-
	922,520	**-**	**901,179**	**-**

41 DEFERRED REINSURANCE COMMISSIONS

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	136,006	153,862	119,765	142,640
Decrease in the year	31,191	(17,856)	26,495	(22,875)
At 31 December	**167,197**	**136,006**	**146,260**	**119,765**

42 UNEARNED PREMIUMS RESERVE

GROUP

	Gross Ksh'000	Reinsurance Ksh'000	Net Ksh'000
2019			
At 1 January 2019	2,302,164	(1,208,817)	1,093,347
Increase in the year	218,604	21,079	239,683
Adjusted Unexpired Risk Reserve	61,834	(911)	60,923
At 31 December 2019	**2,582,602**	**(1,188,649)**	**1,393,953**
2018			
At 1 January 2018	2,299,398	(1,168,136)	1,131,262
Increase in the year	2,766	(40,681)	(37,915)
At 31 December 2018	**2,302,164**	**(1,208,817)**	**1,093,347**

COMPANY

	Gross Ksh'000	Reinsurance Ksh'000	Net Ksh'000
2019			
At 1 January 2019	2,178,454	(1,151,017)	1,027,437
Increase in the year	177,595	39,999	217,594
Adjusted Unexpired Risk Reserve	61,834	(911)	60,923
At 31 December 2019	**2,417,883**	**(1,111,929)**	**1,305,954**
2018			
At 1 January 2018	2,199,232	(1,127,599)	1,071,633
Increase in the year	(20,778)	(23,418)	(44,196)
At 31 December 2018	**2,178,454**	**(1,151,017)**	**1,027,437**

43 PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 31 December	407,342	258,941	340,666	203,773

44 OUTSTANDING CLAIMS PROVISION

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
At 1 January	4,444,403	5,070,130	4,203,589	4,861,252
Claims expense and claim handling expenses	1,853,481	2,394,631	1,727,766	2,239,990
Payments for claims and claims handling expenses	(2,221,725)	(3,034,110)	(2,078,084)	(2,897,653)
Exchange difference on translation	(956)	13,752	-	-
At 31 December	**4,075,203**	**4,444,403**	**3,853,271**	**4,203,589**

45 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

The table below illustrates how the group's estimates of total claims outstanding for each accident year has changed at successive year ends.

GROUP

	Accident Year							
Group - Gross of Reinsurance	**2013 Kshs'000**	**2014 Kshs'000**	**2015 Kshs'000**	**2016 Kshs'000**	**2017 Kshs'000**	**2018 Kshs'000**	**2019 Kshs'000**	**Total**
Accident Year	1,918,336	1,924,290	2,337,947	2,356,996	2,548,110	1,959,677	1,753,847	
One Year Later	2,063,292	2,095,457	2,565,552	2,701,203	2,886,167	2,022,910	-	
Two Years Later	2,132,646	2,197,770	2,694,941	2,853,069	2,816,317	-	-	
Thress Years Later	2,076,774	2,225,709	2,696,459	2,836,842	-	-	-	
Four Years Later	2,041,135	2,167,478	2,700,654	-	-	-	-	
Five Years Later	1,985,888	2,155,774	-	-	-	-	-	
Six Years Later	2,021,231	-	-	-	-	-	-	
Current Estimate of Cumulative Claims	**2,021,231**	**2,155,774**	**2,700,654**	**2,836,842**	**2,816,317**	2,022,910	**1,753,847**	**16,307,575**
Cumulative Payments to Date	(1,867,283)	(2,017,192)	(2,427,785)	(2,368,362)	(2,373,705)	(1,588,727)	(992,944)	(13,635,997)
Reserve in Respect of Prior Years	647,019	-	-	-	-	-	-	647,019
Forex Adjustments	-	-	-	-	-	-	(7,639)	(7,640)
IBNR Reserve	-	-	-	-	-	-	725,886	725,886
ULAE Reserve	-	-	-	-	-	-	38,359	38,359
Total Gross Liability as per the Balance Sheet	**800,967**	**138,582**	**272,869**	**468,480**	**442,612**	**434,183**	**1,517,509**	**4,075,202**

COMPANY

	Accident Year							
Company - Gross of Reinsurance	**2013 Kshs'000**	**2014 Kshs'000**	**2015 Kshs'000**	**2016 Kshs'000**	**2017 Kshs'000**	**2018 Kshs'000**	**2019 Kshs'000**	**Total**
Accident Year	1,863,227	1,757,322	2,143,057	2,183,546	2,437,793	1,848,232	1,582,064	
One Year Later	2,003,799	2,001,740	2,441,355	2,559,403	2,795,854	1,977,176	-	
Two Years Later	2,070,541	2,092,628	2,484,226	2,689,185	2,714,209	-	-	
Thress Years Later	2,012,728	2,121,879	2,486,345	2,706,944	-	-	-	
Four Years Later	1,979,876	2,066,369	2,498,307	-	-	-	-	
Five Years Later	1,926,965	2,055,018	-	-	-	-	-	
Six Years Later	1,962,433	-	-	-	-	-	-	
Current Estimate of Cumulative Claims	**1,962,433**	**2,055,018**	**2,498,307**	**2,706,944**	**2,714,209**	**1,977,176**	**1,582,064**	**15,496,151**
Cumulative Payments to Date	(1,810,699)	(1,917,803)	(2,228,946)	(2,241,000)	(2,281,974)	(1,565,672)	(959,088)	(13,005,182)
Reserve in Respect of Prior Years	638,193	-	-	-	-	-	-	638,193
Forex Adjustments	-	-	-	-	-	-	-	-
IBNR Reserve	-	-	-	-	-	-	685,750	685,750
ULAE Reserve	-	-	-	-	-	-	38,359	38,359
Total Gross Liability as per the Balance Sheet	**789,927**	**137,215**	**269,361**	**465,944**	**432,235**	**411,504**	**1,347,085**	**3,853,271**

45 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

The table below illustrates how the group's estimates of total claims outstanding for each accident year has changed at successive year ends.

GROUP

	Accident Year						
Group - Gross of Reinsurance	**2013 Kshs'000**	**2014 Kshs'000**	**2015 Kshs'000**	**2016 Kshs'000**	**2017 Kshs'000**	**2018 Kshs'000**	**Total**
Accident Year	1,921,150	1,944,194	2,347,477	2,374,568	2,550,685	1,964,137	-
One Year Later	2,070,176	2,105,858	2,656,070	2,732,470	2,895,913	-	-
Two Years Later	2,132,741	2,197,757	2,694,941	2,854,307	-	-	-
Three Years Later	2,076,777	2,225,697	2,697,091	-	-	-	-
Four Years Later	2,041,135	2,168,456	-	-	-	-	-
Five Years Later	1,986,152	-	-	-	-	-	-
Current Estimate of Cumulative Claims	**1,986,152**	**2,168,456**	**2,697,091**	**2,854,307**	**2,895,913**	**1,964,137**	**14,566,056**
Cumulative Payments to Date	(1,830,064)	(1,960,682)	(2,331,324)	(2,269,623)	(2,215,485)	(1,069,432)	(11,676,611)
Reserve in Respect of Prior Years	-	-	-	-	-	-	823,411
IBNR Reserve	-	-	-	-	-	-	731,547
Total Gross Liability as per the Balance Sheet	**156,088**	**207,773**	**365,767**	**584,683**	**680,428**	**894,705**	**4,444,403**

COMPANY

	Accident Year						
Company - Gross of Reinsurance	**2013 Kshs'000**	**2014 Kshs'000**	**2015 Kshs'000**	**2016 Kshs'000**	**2017 Kshs'000**	**2018 Kshs'000**	**Total**
Accident Year	1,863,227	1,757,322	2,143,057	2,183,546	2,437,793	1,848,232	-
One Year Later	2,003,799	2,001,740	2,441,355	2,559,403	2,784,624	-	-
Two Years Later	2,070,541	2,092,628	2,484,226	2,689,185	-	-	-
Three Years Later	2,012,728	2,121,879	2,486,345	-	-	-	-
Four Years Later	1,979,876	2,066,369	-	-	-	-	-
Five Years Later	1,926,965	-	-	-	-	-	-
Current Estimate of Cumulative Claims	**1,926,965**	**2,066,369**	**2,486,345**	**2,689,185**	**2,784,624**	**1,848,232**	**13,801,720**
Cumulative Payments to Date	(1,773,539)	(1,862,619)	(2,132,593)	(2,142,835)	(2,127,445)	(1,061,872)	(11,100,903)
Reserve in Respect of Prior Years	-	-	-	-	-	-	811,360
IBNR Reserve	-	-	-	-	-	-	691,411
Total Gross Liability as per the Balance Sheet	**153,426**	**203,750**	**353,752**	**546,350**	**657,179**	**786,361**	**4,203,589**

45 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

The table below shows the movement in the Group's outstanding claims provision and related reinsurance share of outstanding claims

GROUP

2019	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
At 1 January 2019			
Notified claims	3,712,856	(1,092,864)	2,619,992
Incurred but not reported	731,547	(157,869)	573,678
Total at beginning of year	**4,444,403**	**(1,250,733)**	**3,193,670**
Claims paid in year	(2,221,725)	643,083	(1,578,642)
Increase in liabilities:-			
- Arising from current year claims	1,991,888	(591,711)	1,400,177
- Arising from prior year claims	(138,407)	24,203	(114,204)
Exchange difference on translation	(956)	571	(385)
Total at end of year	**4,075,203**	**(1,174,587)**	**2,900,616**
Notified claims	3,314,105	(989,602)	2,324,503
ULAE	38,359	-	38,359
Incurred but not reported	722,739	(184,985)	537,754
Total at end of year	**4,075,203**	**(1,174,587)**	**2,900,616**

2018	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
At 1 January 2018			
Notified claims	4,337,336	(1,474,897)	2,862,439
Incurred but not reported	732,794	(143,405)	589,389
Total at beginning of year	**5,070,130**	**(1,618,302)**	**3,451,828**
Claims paid in year	(2,670,672)	709,756	(1,960,916)
Increase in liabilities:-			
- Arising from current year claims	2,394,631	(632,272)	1,762,359
- Arising from prior year claims	(363,438)	290,200	(73,238)
Exchange difference on translation	13,752	(115)	13,637
Total at end of year	**4,444,403**	**(1,250,733)**	**3,193,670**
Notified claims	3,712,856	(1,092,864)	2,619,992
Incurred but not reported	731,547	(157,869)	573,678
Total at end of year	**4,444,403**	**(1,250,733)**	**3,193,670**

45 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

The table below shows the movement in the company's outstanding claims provision and related reinsurance share of outstanding claims.

COMPANY

2019	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
At 1 January 2019			
Notified claims	3,512,178	(981,184)	2,530,994
Incurred but not reported	691,411	(135,533)	555,878
Total at beginning of year	**4,203,589**	**(1,116,717)**	**3,086,872**
Claims paid in year	(2,078,084)	554,893	(1,523,191)
Increase in liabilities:-			
- Arising from current year claims	1,817,287	(463,981)	1,353,306
- Arising from prior year claims	(89,521)	(8,402)	(97,923)
Total at end of year	**3,853,271**	**(1,034,208)**	**2,819,064**
Notified claims	3,129,163	(872,620)	2,256,543
ULAE	38,359	-	38,359
Incurred but not reported	685,750	(161,588)	524,162
Total at end of year	**3,853,271**	**(1,034,208)**	**2,819,064**

2018	Gross outstanding claims provision Ksh'000	Reinsurance share Ksh'000	Net Ksh'000
At 1 January 2018			
Notified claims	4,163,270	(1,381,881)	2,781,389
Incurred but not reported	697,982	(124,802)	573,180
Total at beginning of year	**4,861,252**	**(1,506,683)**	**3,354,569**
Claims paid in year	(2,573,555)	663,781	(1,909,774)
Increase in liabilities:-			
- Arising from current year claims	2,239,990	(557,332)	1,682,658
- Arising from prior year claims	(324,098)	283,517	(40,581)
Total at end of year	**4,203,589**	**(1,116,717)**	**3,086,872**
Notified claims	3,512,178	(981,184)	2,530,994
Incurred but not reported	691,411	(135,533)	555,878
Total at end of year	**4,203,589**	**(1,116,717)**	**3,086,872**

Refer to note 3 for the sensitivity effects of changes in value of claims.

46 CAPITAL COMMITMENTS

	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Approved Capital Expenditure	134,585	118,834	122,943	108,871

47 CONTINGENT LIABILITIES

a) Legal proceedings

The group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final result of all pending or threatened legal proceedings, management does not believe that such proceedings (including outstanding litigations) will have a material effect on its results and financial position of the group. However provisions for claims have been made as far as management believe the claim will be paid.

b) Solvency regulations

The group is also subject to insurance solvency regulations in the two territories where it operates and has complied with all these solvency regulations. There are no contingencies associated with the group's compliance or lack of compliance with such regulations.

c) Kenya Revenue Authority (KRA) audit

During the year, the company was audited by Kenya Revenue Authority. The audit is yet to be concluded and thus it was difficult to quantify the tax exposure if any.

The directors have assessed the status of the contingent liabilities and as a result do not anticipate any additional material liabilities that may have a significant impact on the financial statements.

48 NOTES TO THE CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
(a) Cash generated from operations				
Reconciliation of profit before tax to cash used in operations;				
Profit before income tax	1,104,319	590,823	1,113,672	632,864
Adjustments for:				
Depreciation (Note 18(a))	40,144	57,917	36,955	54,678
Depreciation on right of use asset (Note 19)	61,647	-	52,292	
Gain/(loss) on disposal of equity instruments available for sale	(4,925)	4,730	(4,925)	-
Gain on disposal of treasury bonds	(10,019)		(10,019)	
Gain on sale of property and equipment	(6,759)	(5,057)	(6,759)	-
Finance income on investment in sub-lease	(8,070)		(8,070)	
Impairment on deposits	3,547	-	2,758	-
Interest on lease liabilities	75,453		73,510	
Amortisation of intangible assets (Note 17)	8,591	10,839	8,135	10,227
Fair value (gains)/losses on equity revaluation (Note 33)	(153,800)	178,307	(164,637)	169,548
Day 1 adjustment on IFRS9 for deposits and cash	-	(2,272)	-	(1,571)
Fair value gains on investment properties (Note 21)	555	(20,000)	555	(20,000)
Fair value gain on corporate bond	(842)	-	(842)	-
Rental income (Note 7)	(233,300)	(226,266)	(233,300)	(226,266)
Dividend income (Note 7)	(56,373)	(42,933)	(52,050)	(38,214)
Interest income (Note 7)	(610,729)	(617,153)	(583,618)	(589,783)
Changes in working capital:				
- Kenya motor insurance pool receivable	19,210	(2,762)	19,210	(2,762)
- receivables arising out of reinsurance arrangements	52,920	(197,126)	63,015	(227,867)
- receivables arising out of direct insurance arrangements	(200,969)	224,088	(208,796)	231,871
- reinsurers share of technical provisions and reserves	96,315	326,886	121,599	366,547
- deferred acquisition costs	(51,099)	16,847	(43,537)	22,669
- other receivables	(16,174)	(65,610)	(12,050)	(56,685)
- due from subsidiary company	-	-	(2,842)	15,391
- outstanding claims provisions	(369,200)	(625,727)	(350,318)	(657,663)
- unearned premiums reserves	280,438	2,766	239,429	(20,778)
- payables arising from reinsurance arrangements	148,401	(160,751)	136,893	(180,064)
- deferred reinsurance commissions	31,191	(17,858)	26,494	(22,875)
- other payables	(12,207)	17,705	(22,664)	9,353
Cash used in operations	**188,265**	**(552,607)**	**190,095**	**(531,380)**

48 NOTES TO THE CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS (continued)

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
(b) Analysis of cash and cash equivalents				
Cash and bank balances	39,299	20,975	21,779	8,895
Debt securities maturing within 3 months (Note 30(a))	-	-	-	-
Deposits with financial institutions maturing within 3 months (Note 32)	240,080	297,954	199,532	163,504
	279,379	**318,929**	**221,311**	**172,399**

49 OPERATING LEASE COMMITMENTS

Maturity analysis of operating lease payments:

	GROUP AND COMPANY	
	2019 Ksh'000	2018 Ksh'000
Year 1	233,300	224,045
Year 2	240,799	235,247
Year 3	252,839	247,010
Year 4	265,481	259,360
Year 5	278,755	272,328
Year 6	292,693	285,945
Year 7 and onwards	307,327	300,242
	1,871,194	**1,824,177**

The following table presents the amounts reported in profit or loss:

	2019 Ksh'000	2018 Ksh'000
Lease income on operating leases	233,300	226,266

50 RELATED PARTIES

The company is controlled by First Chartered Securities Limited, a company incorporated and domiciled in Kenya, which is the immediate parent company. The ultimate holding company is Asset Managers Limited. There are several other companies, which are related to ICEA LION General Insurance Company Limited through common shareholdings or common directorships. In the normal course of business, insurance policies are sold to related parties. Transactions with related parties during the year and related outstanding balances are disclosed below:

50 RELATED PARTIES (Continued)

	GROUP 2019 Ksh'000	GROUP 2018 Ksh'000	COMPANY 2019 Ksh'000	COMPANY 2018 Ksh'000
a) Transactions with related parties				
Premiums received net of commissions	398,297	324,781	398,297	324,781
Management fees – earned	7,128	-	7,128	7,479
– expense	21,631	10,837	14,493	10,837
Staff loans	26,595	23,999	26,595	19,926
Reinsurance premiums	148,554	150,199	148,554	150,199
b) Balances with related parties				
i) Deposits with financial institutions	290,251	303,542	247,613	114,388
ii) Bank balances	58,670	8,772	19,913	8,772
iii) Interest receivable	8,589	4,318	5,986	2,041
iv) Premiums receivable from related parties	75,037	52,078	75,037	52,078
v) Amounts due from a subsidiary	-	-	6,078	3,236
Due from related company:				
ICEA LION Life Assurance	-	16,311	-	16,311
ICEA LION Asset Management	36	550	36	550
ICEA LION Trustee Services Ltd	108	212	108	212
ICEA Life Uganda	3,195	2,586	3,195	2,586
ICEA General Uganda	9,840	4,223	9,840	4,223
First Chartered Securities	-	60	-	60
Williamson Development Ltd		(25)		(25)
Mitchell Cotts Ltd	704	-	704	-
Upstream Oil Ltd	64	-	64	-
Seven Stars Ltd	33	-	33	-
Karirana Tea Estates	96	-	96	-
Kahuho Holdings Ltd	64	-	64	-
	14,140	**23,917**	**14,140**	**23,917**
Due to related company:				
ICEA LION Life Assurance	21,888	-	21,888	-
First Chartered Securities	1,134	-	1,134	-
Williamson Development Ltd	89	-	89	-
	23,111	**-**	**23,111**	**-**
(c) Key management and directors' remuneration				
Director's remuneration				
Directors' fees	6,521	7,188	2,515	3,680
Key management remuneration	**295,386**	**301,583**	**262,101**	**257,166**

APPENDIX I - CONSOLIDATED REVENUE ACCOUNTS
Supplementary Information
for the year ended 31 December 2019

Class of Insurance Business	Aviation Ksh'000	Engineering Ksh'000	Fire Domestic Ksh'000	Fire Industrial Ksh'000	Liability Ksh'000	Marine Ksh'000	Motor Private Ksh'000	Motor Comm Ksh'000	Personal Accident Ksh'000	Theft Ksh'000	Workmen's Comp Ksh'000	Medical Ksh'000	Miscellaneous Ksh'000	2019 Total Ksh'000	2018 Total Ksh'000
Gross Premium Written	1,212,774	215,330	121,751	1,085,031	186,568	203,212	1,319,992	607,324	232,261	323,582	479,668	135,997	130,343	6,253,833	5,938,870
Change in unearned prem	(109,284)	16,349	(4,884)	63,028	4,298	(339)	114,188	55,204	7,241	36,667	25,833	4,803	6,104	219,208	6,820
Gross earned prem	1,322,058	198,981	126,635	1,022,003	182,270	203,551	1,205,804	552,120	225,020	286,915	453,835	131,194	124,239	6,034,625	5,932,050
Less : Reinsurance payable	(1,316,074)	(120,069)	(38,050)	(818,647)	(127,421)	(84,798)	(91,344)	(54,908)	(152,829)	(77,499)	(16,739)	(28,581)	(102,071)	(3,029,030)	(2,756,855)
Net earned premiums	**5,984**	**78,912**	**88,585**	**203,356**	**54,849**	**118,753**	**1,114,460**	**497,212**	**72,191**	**209,416**	**437,096**	**102,613**	**22,168**	**3,005,595**	**3,175,195**
Gross Claims Paid	56,928	73,046	19,713	261,238	31,894	51,953	725,273	354,947	340,642	94,374	89,758	116,343	5,615	2,221,724	2,671,134
Change in o/s claims	7,618	13,760	(4,367)	(177,532)	23,466	(33,686)	25,313	(95,254)	34,894	(90,045)	2,143	(9,574)	(9)	(303,273)	(617,353)
	64,546	86,806	15,346	83,706	55,360	18,267	750,586	259,693	375,536	4,329	91,901	106,769	5,606	1,918,451	2,053,781
Less : Reinsurance recoveries	(55,929)	(53,089)	(80)	(29,643)	(48,835)	(5,478)	(22,115)	(58,422)	(337,405)	(557)	1,134	(18,937)	(3,121)	(632,477)	(346,906)
Claims Incurred	**8,617**	**33,717**	**15,266**	**54,063**	**6,525**	**12,789**	**728,471**	**201,271**	**38,131**	**3,772**	**93,035**	**87,832**	**2,485**	**1,285,974**	**1,706,875**
Commissions earned	(42,845)	(38,154)	(6,556)	(254,747)	(22,823)	(17,759)	(123)	697	(29,748)	(4,252)	(777)	0	(31,742)	(448,829)	(470,432)
Commissions incurred	7,642	36,304	20,060	185,732	21,088	29,362	107,886	49,273	32,178	30,465	76,159	12,860	13,111	622,120	652,017
Expenses of Management	26,036	28,484	24,730	78,982	28,999	74,956	502,834	242,195	38,895	88,384	105,084	56,049	12,751	1,308,379	1,239,880
Total Expenses & Commissions	**(9,167)**	**26,634**	**38,234**	**9,967**	**27,264**	**86,559**	**610,597**	**292,165**	**41,325**	**114,597**	**180,466**	**68,909**	**(5,880)**	**1,481,670**	**1,421,465**
Underwriting profit/(loss)															
-2019	**6,534**	**18,561**	**35,085**	**139,326**	**21,060**	**19,405**	**(224,608)**	**3,776**	**(7,265)**	**91,047**	**163,595**	**(54,128)**	**25,563**	**237,951**	**46,855**
-2018	**(3,036)**	**(9,098)**	**9,164**	**128,586**	**25,401**	**20,104**	**(62,505)**	**(55,613)**	**17,899**	**10,152**	**47,636**	**(88,431)**	**6,596**	**46,855**	
Key ratios:															
Loss ratio	144	43	17	27	12	11	65	40	53	2	21	86	11	43	54
Commission ratio	1	17	16	17	11	14	8	8	14	9	16	9	10	10	11
Expense ratio	2	13	20	7	16	37	38	40	17	27	22	41	10	21	21
Combined ratio	(9)	76	60	31	62	84	120	99	110	57	63	153	(15)	92	99

APPENDIX II - COMPANY REVENUE ACCOUNTS
Supplementary Information
for the year ended 31 December 2019

Class of insurance business	Aviation Ksh'000	Engineering Ksh'000	Fire Domestic Ksh'000	Fire Industrial Ksh'000	Liability Ksh'000	Marine Ksh'000	Motor Private Ksh'000	Motor Comm Ksh'000	Personal Accident Ksh'000	Theft Ksh'000	Workmen's Comp Ksh'000	Medical Ksh'000	Miscellaneous Ksh'000	2019 Total Ksh'000	2018 Total Ksh'000
Gross Premium Written	1,212,774	189,125	118,828	957,822	165,143	174,844	1,227,281	564,425	223,300	287,903	476,655	135,997	121,715	5,855,812	5,609,278
Change in gross earned prem	(109,284)	14,860	(5,186)	57,304	632	(4,799)	112,401	37,269	6,910	37,121	21,823	4,803	3,741	177,595	(20,777)
Gross earned prem	1,322,058	174,265	124,014	900,518	164,511	179,643	1,114,880	527,156	216,390	250,782	454,832	131,194	117,974	5,678,217	5,630,055
Less : Reinsurance payable	(1,316,074)	(101,442)	(37,056)	(719,905)	(114,440)	(68,393)	(73,765)	(51,837)	(148,878)	(62,456)	(18,168)	(28,581)	(96,241)	(2,837,236)	(2,594,023)
Net earned premiums	**5,984**	**72,823**	**86,958**	**180,613**	**50,071**	**111,250**	**1,041,115**	**475,319**	**67,512**	**188,326**	**436,664**	**102,613**	**21,733**	**2,840,981**	**3,036,032**
Gross Claims Paid	56,928	54,003	19,576	193,133	31,894	47,079	697,525	345,283	338,405	82,543	89,758	116,343	5,615	2,078,085	2,573,555
Change in gross outstanding claims	7,618	29,260	(4,634)	(189,409)	24,229	(27,681)	29,781	(85,317)	39,012	(102,749)	2,314	(9,574)	1,800	(285,350)	(657,663)
	64,546	83,263	14,942	3,724	56,123	19,398	727,306	259,966	377,417	(20,206)	92,072	106,769	7,415	1,792,735	1,915,892
Less : Reinsurance recoverable	(55,929)	(50,594)	(40)	39,168	(48,607)	(6,544)	(17,926)	(61,409)	(336,318)	23,273	1,119	(18,937)	(4,607)	(537,351)	(273,815)
Net claims Incurred	**8,617**	**32,669**	**14,902**	**42,892**	**7,516**	**12,854**	**709,380**	**198,557**	**41,099**	**3,067**	**93,191**	**87,832**	**2,808**	**1,255,384**	**1,642,077**
Commissions earned	(42,845)	(32,574)	(6,492)	(219,882)	(20,936)	(14,310)	1,575	(18)	(28,359)	(2,180)	(1,451)	0	(28,925)	(396,397)	(417,689)
Commissions payable	7,642	30,891	19,598	155,160	19,519	26,165	99,319	47,033	30,519	27,696	76,680	12,860	11,340	564,422	603,189
Expenses of Management	26,036	23,820	23,129	56,987	23,810	67,412	439,500	213,697	35,392	68,851	103,814	56,049	12,403	1,150,900	1,085,330
Total Expenses & Commissions	**(9,167)**	**22,137**	**36,235**	**(7,735)**	**22,393**	**79,267**	**540,394**	**260,712**	**37,552**	**94,367**	**179,043**	**68,909**	**(5,182)**	**1,318,925**	**1,270,830**
Underwriting profit/(loss)															
-2019	**6,534**	**18,017**	**35,821**	**145,456**	**20,162**	**19,129**	**(208,659)**	**16,050**	**(11,139)**	**90,892**	**164,430**	**(54,128)**	**24,107**	**266,672**	**123,125**
-2018	**(2,520)**	**(3,401)**	**9,633**	**131,109**	**24,678**	**29,388**	**(24,706)**	**(35,741)**	**16,562**	**13,171**	**47,267**	**(88,431)**	**6,116**	**123,125**	
Key ratios:															
Loss ratio	144	45	17	24	15	12	68	42	61	2	21	86	13	44	54
Commission ratio	1	16	16	16	12	15	8	8	14	10	16	9	9	10	11
Expense ratio	2	13	19	6	14	39	36	38	16	24	22	41	10	20	19
Combined ratio	-9	75	59	19	60	83	120	97	117	52	62	153	-11	91	96

APPENDICES 06

CORPORATE INFORMATION

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Certified Public Accountants (Kenya)
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Standard Chartered Bank Limited
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P.O. Box 30003 - 00100 Nairobi

CORPORATE SOCIAL RESPONSIBILITY (CSR) & INVESTMENT (CSI) 2013 -2019

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 -2019

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

CORPORATE SOCIAL RESPONSIBILITY (CSR) & INVESTMENT (CSI) 2013 -2019

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
TOTAL CORPORATE SOCIAL RESPONSIBILITY SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2017				17,960,389.80	6,755,194.90	11,205,194.90

ICEA LION GROUP CORPORATE SOCIAL INVESTMENT SUPPORT - OCTOBER 2016 - DECEMBER 2019

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	Corporate Social Investment Initiative - Lion Census	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	Lewa Wildlife Conservancy	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	Lewa Wildlife Conservancy	Lion Predator Monitoring Programme		472,000.00	236,000.00	236,000.00
Total Support Amount				5,883,805.00	5,171,402.50	5,171,402.50

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2019						
1	The Association of Kenya Insurers	Annual Medical Camp - Isinya	Health	90,000.00	45,000.00	45,000.00
2	Kenya Wildlife Service (KWS) National Lion Census	National Lion Census - Census Equipment for 5 Regions	Corporate Social Investment Initiative - Lion Census	1,701,925.00	850,962.50	850,962.50
3	Lewa Conservancy	Conservation Education Programme - ICEA LION Staff immersion with Bardassa Secondary School		200,000	100,000	100,000
4	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	0	700,000.00
TOTAL CORPORATE SOCIAL INVESTMENT SUPPORT AMOUNT FROM OCTOBER 2016 - DECEMBER 2019				2,691,925.00	995,962.00	1,695,962.5
TOTAL CORPORATE SOCIAL RESPONSIBILITY & INVESTMENT SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2019				33,120,474.80	16,214,736.90	21,364,737.4

These costs exclude the launch event activities & related logistical costs

AWARDS & ACCOLADES 2012 - 2019 & 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

AWARDS & ACCOLADES 2012 - 2019 & GCR RATING

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

GCR RATINGS

Credit Rating Announcement

GCR affirms ICEA LION General Insurance Company Limited's national scale financial strength rating of AA-$_{(KE)}$; Outlook Stable

Rating Action

Johannesburg, 01 October 2019 - GCR Ratings ("GCR") has affirmed ICEA LION General Insurance Company Limited's ("ICEA LION General") national scale financial strength (formerly claims ability) rating of AA-$_{(KE)}$; Outlook Stable.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook/Watch
ICEA LION General Insurance Company Limited	Financial strength	National	AA-$_{(KE)}$	Stable Outlook

REPORTING GUIDANCE INDEX

BASED ON INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC) FRAMEWORK

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ICEA LION General Insurance

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Risk & Compliance
ICEA LION Group

Nkatha Gitonga
Group Manager
Marketing & Communications
ICEA LION Group

Kevin Nyakeri
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ICEA LION Life Assurance

ICEA LION'S INTEGRATED LAB

Meet our team that spearheaded and continues to champion Integrated Thinking and delivered the 2019 Integrated Report that was developed and designed in-house.

Special thanks to our in-house designer Mwangi Kariuki for his creative and tireless efforts.

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GENERAL INSURANCE

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