



2020 ANNUAL REPORT



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

WHO WE ARE

CORPORATE VISION

Global partner in securing the future.

CORPORATE MISSION

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

CORE VALUES

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

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

STATEMENT OF PURPOSE

Seamless stability

CONTENTS

Page

Group Information	1
Report of the Directors	42
Statement on Corporate Governance	45
Statement of Directors' Responsibilities	50
Report of the Consulting Actuary	51
Directors' Remuneration Report	52
Independent Auditors' Report	55
Financial statement	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	68
Company Statement of Profit or Loss and Other Comprehensive Income	69
Consolidated Statement of Financial Position	70
Company Statement of Financial Position	71
Consolidated Statement of Changes in Equity	72
Company Statement of Changes in Equity	73
Consolidated Statement of Cash Flows	74
Company Statement of Cash Flows	75
Notes to the Financial Statements	76
Appendix I -Short Term Revenue Account	142
Appendix II -Long Term Revenue Account	143

DIRECTORS

Chiboli Shakaba	Chairman
Jadiah Mwarania	Managing Director
Ukur Yatani Kanacho	Cabinet Secretary, The National Treasury
David Kemei	Retired on 9 th October 2020
Felix Okatch	
Jasper Mugambi	
Maina Mukoma	Retired on 9 th October 2020
Eric Gumbo	
Thamuda Hassan	
Anthony Munyao	Retired on 9 th October 2020
Jennifer Karina	
Hon. Nasra Ibren	elected on 9th October 2020
Amb. Peter Ole Nkuraiyia	elected on 9th October 2020
Michael Monari	elected on 9th October 2020

SECRETARY

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

REGISTERED OFFICE

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

BANKERS

KCB Bank Kenya Limited

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

Citibank NA

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

Bank of Africa

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

Citibank Zambia Limited

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

Actuarial Services (East Africa) Limited

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

SHARE REGISTRARS

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

ADVOCATES

Mose, Mose Milimo & Company Advocates

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

M.A. Otega & Company Advocates

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

Kaplan & Stratton Advocates

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

SUBSIDIARIES

Kenya Reinsurance Corporation Ltd Côte d'Ivoire

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

Kenya Reinsurance Corporation Zambia Limited

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

Kenya Reinsurance Corporation Uganda SMC Limited

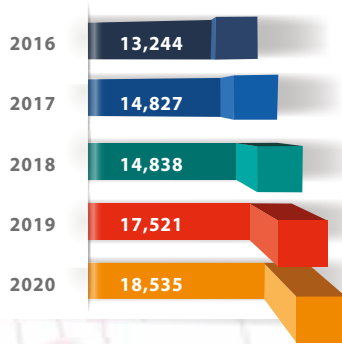
Redstone House, First Floor
Bandali Rise Bugolobi
P.O Box 34988
Kampala, Uganda

AUDITORS

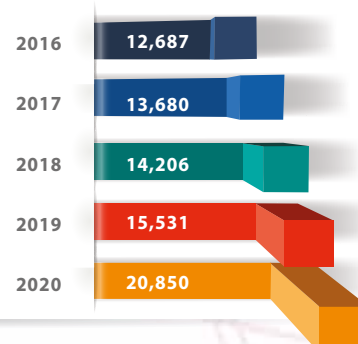
The Auditor General
Kenya National Audit Office
P.O. Box 30084 – 00100 GPO Nairobi, Kenya

FIVE YEAR PERFORMANCE TREND

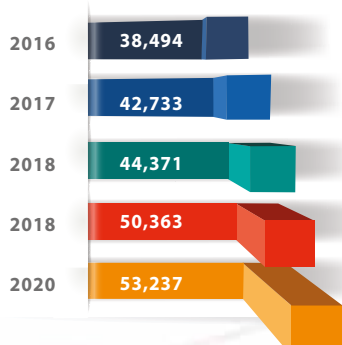
Gross Premiums in Kshs. Millions



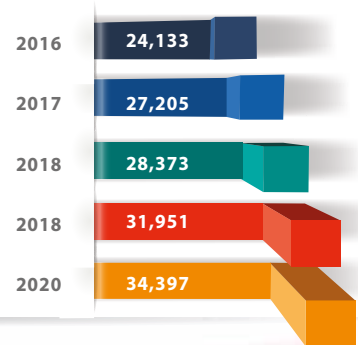
Net Premiums in Kshs. Millions



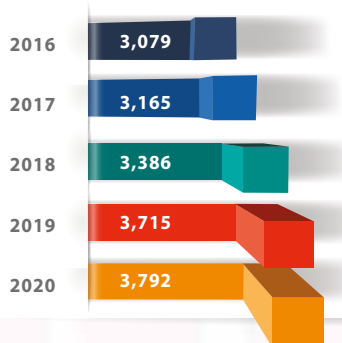
Total Assets in Kshs. Millions



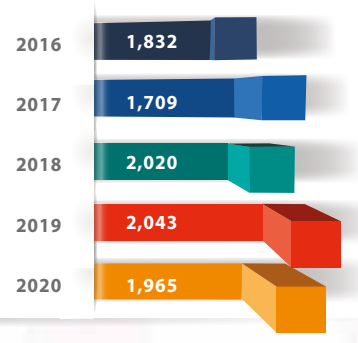
Shareholders' funds in Kshs. Millions



Investment Income in Kshs. Millions

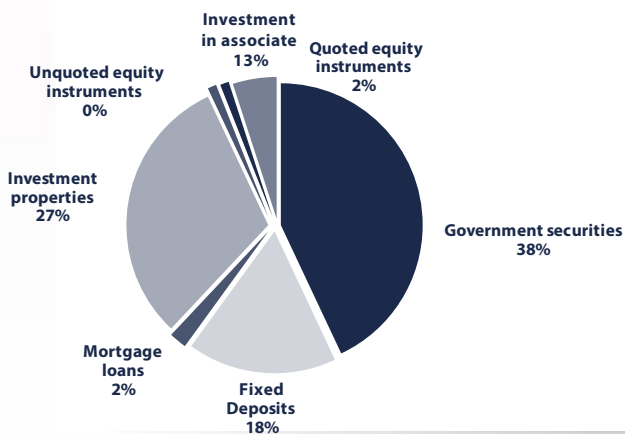


Management Expenses in Kshs. Millions

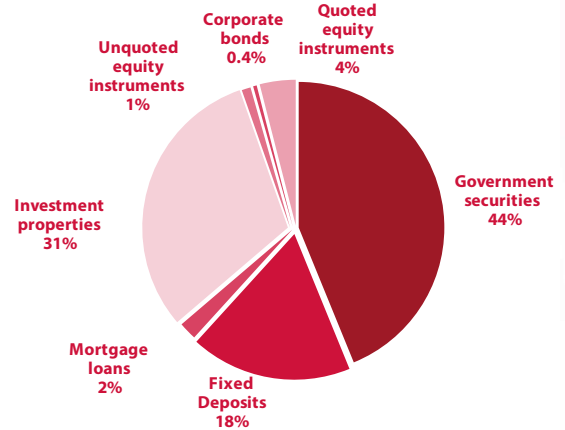


INVESTMENT MIX

2020



2019



NOTICE OF THE 2020 ANNUAL GENERAL MEETING

Notice is hereby given that the **23RD ANNUAL GENERAL MEETING of KENYA REINSURANCE CORPORATION LIMITED** will be held electronically on Wednesday, 30th June 2021 at 11.00 a.m. when the following business will be transacted, namely:

AGENDA

1. Constitution of the Meeting - To read the notice convening the Meeting and determine if a quorum is present.
2. To receive, consider and, if approved, adopt the Corporation's audited Financial Statements for the year ended 31st December 2020 together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To approve payment of a first and final dividend of KShs.0.20 per share for the financial year ended 31st December 2020 to the shareholders registered in our books as at 30th June 2021 to be paid on or about 13th August 2021.
4. Election of Directors:
 - a) In accordance with Article 110 of the Corporation's Articles of Association, the following Directors retire by rotation and, being eligible, offer themselves for re-election:
 - i. Mr. Chiboli Induli Shakaba
 - ii. The Cabinet Secretary, National Treasury
 - iii. Mr. Felix Owaga Okatch
5. To approve the Directors' remuneration report for the period ended 31st December 2020.
6. Auditors
To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Auditor General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act and Section 23 of the Public Audit Act 2015.
7. To authorise the Directors to fix the remuneration of the Auditors.
8. To authorise the Directors to appoint members of the Audit Committee of the Board.
9. To transact any other business in respect of which due notice has been received. By Order of the Board

Charles N. Kariuki

Corporation Secretary,

Kenya Reinsurance Corporation Limited

Reinsurance Plaza, 15th Floor, Taifa Road

P.O. Box 30271-00100

Nairobi

31st May 2021

NOTES:

1. Any member may by notice duly signed by him or her and delivered to the Corporation Secretary on the above address, not less than seven (7) days and not more than twenty one (21) days before the date appointed for the Annual General Meeting give notice of his intention to propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the Company.
2. In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related public health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impracticable, as contemplated under section 280 of the Companies Act 2015, for Kenya Re Limited to hold a physical general meeting in the manner prescribed in its Articles of Association. Last year the company amended its Articles of Association to provide for holding of virtual shareholder meetings.
3. Any shareholder wishing to follow the virtual meeting should register for the AGM by dialling *483*901# on their mobile telephone and following the various prompts regarding the registration process. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance Shareholders should dial the following helpline number: 0709 170 000/0709 170 030 from 9am to 4pm every working day.
4. Registration for the AGM opens on Wednesday 2nd June 2021 and will close on Monday 28th June 2021 at 11:00 am.
5. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website <https://www.kenyare.co.ke/>:
 - (i) a copy of this Notice and the proxy form;
 - (ii) the Company's audited financial statements for the year 2020
6. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
 - a. sending their written questions by email to Questions.Agm@kenyare.co.ke or kenyareshares@image.co.ke
 - b. to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at Reinsurance Plaza or Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street; or
 - c. sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 30271- 00100 Nairobi.

Shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialling the USSD code above and selecting the option (Ask Question) on the prompts. Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before Friday 25th June 2021 at 5:00 pm.

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder by 28th June 2021. A full list of all questions received and the answers thereto will be published on the Company's website before the

commencement of the General Meeting.

7. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is attached to this Notice and is available on the Company's website via this link: www.kenyare.co.ke. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street. A proxy must be signed by the appointor or his attorney duly authorized in writing, or, if the appointor is a company, either under seal, or under the hand of an officer or attorney duly authorized by the company. A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 28th June 2021 at 11.00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Monday 28th June 2021 11.00 am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 28th June 2021 to allow time to address any issues.
8. The AGM will be streamed live via a link which shall be provided to all shareholders who will have successfully registered to participate in the Annual General Meeting. Duly registered shareholders and proxies will receive a short message service (SMS)/USSD prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the livestream.
9. Duly registered Shareholders and proxies may access the AGM agenda and follow the proceedings of the AGM via livestream platform. Duly registered Shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts as well as through the VOTE tab on the livestream link.
10. A poll shall be conducted for all the resolutions put forward on notice.
11. Results of the AGM shall be published within 48 hours following conclusion of the AGM on the Company's website www.kenyare.co.ke

TAARIFA KUHUSU MKUTANO WA KILA MWAKA WA 2020

Notisi imetolewa kuwa MKUTANO MKUU WA MWAKA WA 23 wa KAMPUNI YA KENYA REINSURANCE CORPORATION LIMITED utafanyika kwa njia ya kielektroniki mnamo Jumatano, tarehe 30 Juni 2021 saa 5.00 asubuhi wakati ambao shughuli ifuatayo itatekelezwa, yaani:

AJENDA

1. Mfumo wa Mkutano - Kusoma notisi inayoitisha Mkutano na kuamua ikiwa akidi ipo.
2. Kupokea, kuzingatia na, ikiidhinishwa, kutumia Taarifa za Kifedha za Shirika zilizofanyiwa ukaguzi kwa mwaka uliomalizikia tarehe 31 Desemba 2020 pamoja na Ripoti za Mwenyekiti, Mkurugenzi pamoja na Mkaguzi Mkuu wa Mahesabu.
3. Kuidhinisha malipo ya ruzuku ya kwanza na ya mwisho ya KSh.0.20 kwa kila hisa ya mwaka wa kifedha uliomalizikia tarehe 31 Desemba 2020 kwa washikadau waliosajiliwa katika vitabu vyetu kufikia tarehe 30 Juni 2021 kulipwa tarehe au karibu tarehe 13 Agosti 2021.
4. Uchaguzi wa Wakurugenzi:
 - a) Kwa mujibu wa Ibara ya 110 cha Katiba ya Shirika chini ya Makala ya Muungano, Wakurugenzi wafuatao wanastaafu kwa mzunguko na, kustahiki, wakajitolea kwa uchaguzi tena:
 - i. Bw. Chiboli Induli Shakaba
 - ii. Waziri, Hazina ya Kitaifa
 - iii. Bw. Felix Owaga Okatch
5. Kuidhinisha ripoti ya Mkurugenzi ya malipo ya kipindi kilichoisha tarehe 31 Desemba 2020.
6. Wakaguzi
Kukumbuka kuwa ukaguzi wa vitabu vya akaunti za Shirika utaendelea kutekelezwa na Mkaguzi Mkuu au shirika la ukaguzi lililoteuliwa na yeye kwa mujibu wa Sehemu ya 14 cha Sheria ya Mashirika ya Kitaifa na Sehemu ya 23 cha Sheria ya Ukaguzi wa Umma 2015.
7. Kuidhinisha Wakurugenzi kutatia malipo ya Wakaguzi.
8. Kuwaidhinisha Wakurugenzi kuteua wanachama wa Kamati ya Ukaguzi ya Bodi.
9. Kutekeleza shughuli yoyote nyingine kwa mujibu wa notisi halali iliyopokelewa.

Kwa Amri ya Bodi

Charles N. Kariuki

Katibu wa Shirika,

Kenya Reinsurance Corporation Limited Reinsurance Plaza, Orofa ya 15, Taifa Road S.L.P 30271-00100

Nairobi

Tarehe 31 Mei 2021

VIDOKEZO:

1. *Mwanachama yeyote kupitia kwa notisi aliyoitia saina yeye na kufikishwa kwa Katibu wa Shirika kwenye anwani iliyo hapo juu, si chini ya siku saba (7) na sio zaidi ya siku ishirini na moja (21) kabla ya tarehe iliyoteuliwa ya Mkutano Mkuu wa Mwaka kutoa notisi ya lengo lake la kumpendekeza mtu yeyote mwingine kwa uchaguzi wa kujiunga na Bodi, notisi kama hiyo iambatanishwe na notisi iliyotiwa saina na mtu aliyependekezwa kuhusu utayari wake wa kuchaguliwa. Mtu aliyeteuliwa sio lazima awe mwanachama wa Kampuni.*
2. *Kwa mtazamo wa janga linaloendelea la Virusi vya korona 2019 (COVID-19) na Sheria na maelekezo husika ya afya ya umma iliyopitishwa na Serikali ya Kenya ikijumuisha miongoni mwa vitu vingine mikutano ya umma, haiwezekani, ilivyofikiwa chini ya Sehemu ya 280 cha Sheria ya Makampuni 2015, kwa Kenya Re Limited kuwa na mkutano mkuu wa kimwili kwa njia ilivyopendekezwa katika Makala ya Muungano. Mwaka jana kampuni ilirekebisha Makala yake ya Muungano ili kutoa nafasi ya kufanya mikutano ya washikadau mtandaoni.*
3. *Mshikadau yeyote anayetaka kufuata mkutano huo wa mtandaoni anafaa kujisajili kwa ajili ya Mkutano Mkuu wa Mwaka kwa kubofya * 483*9 01# kwenye simu yao ya mkononi na kufuata visituo kuhusu mchakato wa usajili. Ili kukamilisha mchakato wa usajili, washikadau watahitaji kuwa tayari na Nambari za Kitambulisho au Pasipoti yao ambazo zilitumika kununua hisa zao na / au Nambari ya Akaunti yao ya CDSC. Ili kupata usaidizi Washikadau wanafaa kubonyeza nambari ifuatayo ya usaidizi: 070 9 170 000/070 9 170 030 kutoka saa 3 asubuhi hadi saa 10 jioni kila siku ya kazi.*
4. *Usajili wa Mkutano Mkuu wa Mwaka utafunguliwa Jumatano tarehe 2 Juni 2021 na kufungwa Jumatatu tarehe 28 Juni*

2021 saa 5.00 asubuhi.

5. Kwa mujibu wa Sehemu ya 283 (2) (c) cha Sheria ya Kampuni, nyaraka zifuatazo zinaweza kutazamwa kwenye tovuti ya Kampuni <https://www.kenyare.co.ke/>:

(i) nakala ya Notisi hii na fomu ya uwakilishi;

(ii) taarifa za kifedha za Kampuni zilizofanyiwa ukaguzi za mwaka wa 2020

6. Washikadau wanaotaka kuuliza maswali yoyote au ufafanuzi kuhusiana na Mkutano Mkuu wa Mwaka pia wanaweza kufanya hivyo kwa:

a. kutuma maswali yao yaliyoandikwa kwa barua pepe kupitia Questions.Agm@kenyare.co.ke au kenyareshares@image.co.ke

b. kwa kiwango kinachowezekana, kuwasilisha binafsi maswali yao yaliyoandikwa pamoja na anwani ya mahali au anwani ya barua pepe ya kutuma jibu kwenye ofisi iliyosajiliwa ya Kampuni katika Reinsurance Plaza au ofisi za Image Registrars katika orofa ya tano, Absa Towers (awali ilikuwa Barclays Plaza), Loita Street; au

c. kutuma maswali yao yaliyoandikwa pamoja na anwani ya mahali au anwani ya barua pepe ya kutuma jibu kwa posta iliyosajiliwa kwenye anwani ya Kampuni kupitia S.L.P 30271- 00100 Nairobi.

Washikadau ambao watakuwa wamejisajili ili kushiriki katika mkutano wataweza kuuliza maswali kupitia ujumbe mfupi kwa kubonyeza msimbo wa USSD ulio hapo juu na kuteua chaguo la (Uliza Swali) kwenye visituo.

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

Maswali na ufafanuzi wote lazima ufikie Kampuni mnamo au kabla ya Ijumaa tarehe 25 Juni 2021 saa 11.00 jioni.

Kufuatia kupokelewa kwa maswali na ufafanuzi, wakurugenzi wa Kampuni watatoa majibu yaliyoandikwa kwa maswali yaliyopokelewa kwa anwani ya mahali au anwani ya barua pepe ya kutuma majibu zilizotolewa na Mshikadau kufika tarehe 28 Juni 2021.

Orodha kamili ya maswali yote yaliyopokelewa na majibu yao yatachapishwa kwenye tovuti ya Kampuni kabla ya kuanza kwa Mkutano Mkuu.

7. Kwa mujibu wa Kitengo cha 298(1) cha Seria ya Makampuni, Washikadau wanaostahiki kuhudhuria na kupiga kura katika Mkutano Mkuu wa Mwaka wanastahiki kuchagua wakala wa kupiga kura kwa niaba yao. Wakala hastahili kuwa mwanachama wa Kampuni lakini kama si Mwenyekiti wa Mkutano Mkuu wa Mwaka, wakala aliyeteuliwa atahitaji ufikiaji wa simu ya mkononi. Fomu ya wakala imeambathishwa kwenye Notisi hii na inapatikana kwenye tovuti ya Kampuni kupitia kiungo hiki: www.kenyare.co.ke. Nakala asili za fomu ya wakala zinapatikana pia katika anwani ifuatayo: Ofisi za Image Registrars Limited, Orofa ya 5 Absa Towers (iliyokuwa Barclays Plaza), Loita Street. Wakala lazima awe ametiwa saini na mtu aliyemteua au mwanasheria wake akimidhinisha ipasavyo kwa maandishi, au, ikiwa anateuliwa na kampuni, ama chini ya mkataba au chini ya

mkono wa ofisa au mwanasheria aliyeidhinisha ipasavyo na kampuni. Fomu ya wakala iliyokamilishwa inafaa kutumwa kwa barua pepe kwa info@image.co.ke au kuwasilishwa kwa Image Registrars Limited, Orofa ya 5 Absa Towers (iliyokuwa Barclays Plaza), Loita Street, S.L.P 9287 – 00100 GPO, Nairobi, ili kupokelewa si baada ya tarehe 28 Juni 2021 saa 5.00 asubuhi. Mtu yeyote aliyeteuliwa kama wakala anafaa kuwasilisha nambari yake ya simu ya mkononi kwa Kampuni si baada ya Jumatatu tarehe 28 Juni 2021 saa 5.00 asubuhi. Usajili wowote wa wakala ambao utakataliwa utaelezewa mshikadau anayehusika sio baada ya tarehe 28 Juni 2021 ili kutoa muda wa kutatua masuala yoyote.

8. Mkutano Mkuu wa Mwaka utatiririshwa moja kwa moja kupitia kiungo kitakachotolewa kwa washikadau wote ambao watakuwa wamejisajili kwa ufanisi ili kushiriki katika Mkutano Mkuu wa Mwaka. Washikadau na mawakala waliosajiliwa ipasavyo watapokea ujumbe mfupi (SMS) / kisituo cha USSD kwenye nambari zao za simu za mkononi zilizosajiliwa, saa 24 kabla ya Mkutano Mkuu wa Mwaka ukiwa kama kikumbusho cha Mkutano Mkuu wa Mwaka. SMS / USSD ya pili itatumwa saa moja kabla ya Mkutano Mkuu wa Mwaka kuanza, ikiwakumbuka washikadau na mawakala waliosajiliwa ipasavyo kuwa Mkutano Mkuu wa Mwaka utanza baada ya saa moja na kutoa kiungo cha utiririshaji wa moja kwa moja.

9. Washikadau na mawakala waliosajiliwa ipasavyo wanaweza kufikia ajenda ya Mkutano Mkuu wa Mwaka na kufuatilia mkutano huo kupitia jukwaa la utiririshaji wa moja kwa moja. Washikadau na mawakala waliosajiliwa ipasavyo wanaweza kupiga kura (wakiambiwa na mwenyekiti) kupitia visituo vya USSD sawa na kupitia kichupo cha PIGA KURA kwenye kiungo cha utiririshaji wa moja kwa moja.

10. Kura itafanywa kwa maazimio yote yaliyowekwa kwenye notisi.

11. Matokeo ya Mkutano Mkuu wa Mwaka yatachapishwa ndani ya saa 48 kufuatia hitimisho la Matokeo ya Mkutano Mkuu kwenye tovuti ya Kampuni www.kenyare.co.ke

BOARD OF DIRECTORS



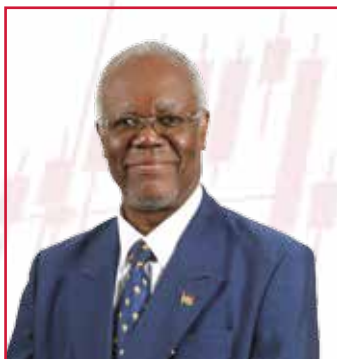
Left to Right:
Chiboli Induli Shakaba | Board Chairman
Jasper Gitonga Mugambi - Director
Jennifer Kabura Karina - Director
Ambassador Peter Ole Nkuraiya - Director
Jadhiah Mwarania - Managing Director

BOARD OF DIRECTORS



Left to Right:
Thamuda Omar Hassan - Director
Michael Ombabah Monari - Director
Nasra Ibrahim Ibren - Director
Felix Owaga Okatch - Director
Ambassador Ukur Yatani - CS, National Treasury & Planning
Erick Onyango Gumbo - Director

BOARD MEMBERS PROFILES



CHIBOLI INDULI SHAKABA, 64 – CHAIRMAN, INDEPENDENT AND NON-EXECUTIVE DIRECTOR

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



JADIAH MWARANIA, 56 - MANAGING DIRECTOR

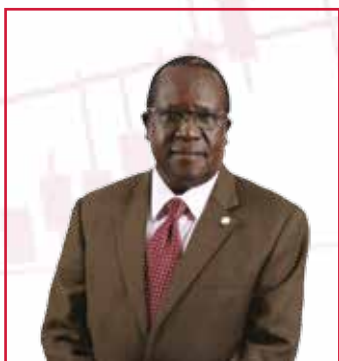
Mr. Mwarania is the Managing Director of the Kenya Reinsurance Corporation Limited. He has worked with the Corporation for over 25 years and has risen through the ranks to the position of Managing Director. He holds a Bachelor of Commerce (B.com.) (Hons.) and Master of Business Administration (MBA) degrees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



AMBASSADOR UKUR YATANI KANACHO, 54 CABINET SECRETARY, NATIONAL TREASURY & PLANNING-NON-EXECUTIVE DIRECTOR

Hon. Amb. Yatani has over 27 years experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury & Planning he served as the Cabinet Secretary for Labour and Social Protection since January 2018. Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and

chair of African Group of Ambassadors among others. Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where sharpened his management and administrative skills. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.



FELIX OWAGA OKATCH, 70 – NON-EXECUTIVE DIRECTOR

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

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



AMBASSADOR PETER OLOISHORUA OLE NKURAIYA, CBS, 62 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Ole Nkuraiya holds an Executive Master of Business Administration from the Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Arts degree in Political Science and Sociology and Post Graduate Diploma in International Relations both from the University of Nairobi. He began his career in the Ministry of Foreign Affairs as a Third Secretary in 1982 and moved up the ranks to serve in numerous diplomatic missions around the world. He has more recently served as the Vice Chairperson of the Public Service Commission from 2013 – 2019 and its Acting Chairperson between January – August 2018, Secretary/Chief Executive Officer of the Commission for the Implementation of the Constitution (CIC) from May 2012 – January 2013, Executive Director of the NGOs Co-ordination Board between 2009 – 2012, Permanent Secretary in the Ministry of East African Community from 2004 – 2006 and Permanent Secretary in the Ministry of Foreign Affairs and East Africa Cooperation from 2003 – 2004.

Mr. Ole Nkuraiya was honored with the award of the Chief of Order of the Burning Spear (CBS).



MRS. NASRA IBRAHIM IBREN, 40 - INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mrs. Ibren holds a Global Executive Masters in Business Administration from the United State International University – Africa and a Masters in Teaching Arabic language as a second language from the Khartoum International Institute of Arabic Language. She also holds a Bachelor of Education (Arabic language), a Diploma in Islamic Studies and a Certificate in Teaching (Primary and Secondary Levels) from the International University of Africa.

Mrs. Ibren was a member of the National Assembly representing Marsabit County between 2013 – 2017 and prior to that held various management positions in the education sector.



JENNIFER KABURA KARINA, 63 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

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



MR. MICHAEL OMBABAH MONARI, 58 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr. Monari holds an MBA from Heriott-Watt University, A Master of Science(MSc) in Finance from Irish International University and an Executive MSc in Global Management from the University of Salford.

Mr. Monari is a career banker with a long career. He was the Managing Director and CEO of International Trust Bank Plc, Nigeria from 2001 to 2005, Regional Manager, West and Central Africa, African Management Services Company upto September 2007, Project Manager, East Africa, Ecobank Group 2007 -2008, Executive Director, Ecobank Kenya Limited from 2008 to July 2011 when he moved to Uganda as the Managing Director Ecobank Uganda Limited upto September 2015. In September 2015 he founded Longitude Finance where he is the Chief Executive Officer today.

Mr. Monari is the Chairman of Impala Club, Treasurer of Steve Adam Foundation (NGO) and a sub-committee member Nairobi Club.



MR. ERICK ONYANGO GUMBO, 43 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

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



MRS. THAMUDA OMAR HASSAN, 67 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

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



MR. JASPER GITONGA MUGAMBI, 48 – INDEPENDENT AND NON-EXECUTIVE DIRECTOR

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

MANAGEMENT TEAM PROFILES



JADIAH MWARANIA - MANAGING DIRECTOR

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



MICHAEL MBESHI - GENERAL MANGER PROPERTY AND ADMINISTRATION

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



BETH S. NYAGA – GENERAL MANAGER REINSURANCE

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



JACQUELINE NJUI - GENERAL MANAGER FINANCE & INVESTMENT

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



SELEMAN W. TEMBO - REGIONAL MANAGER SOUTHERN AFRICA

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



NSUBUGA ZIGGWA TADEO - REGIONAL MANAGER UGANDA

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



HERVE' ALLOU – REGIONAL MANAGER, WEST AFRICA

Mr. Herve' Allou joined the Corporation on 1st October 2020 as the new Regional Manager, West Africa subsidiary. Prior to this, Mr. Allou worked with Globus Re in Burkina Faso as Managing Director from March 2014 to 31st August 2020. He also worked with Continental Re from August 2007 to February 2014 as Regional Manager in Cote D'Ivoire and Senior Underwriter in Cameroon. In his early career he worked with Somat Assurances Cote D'Ivoire from 2003 to 2004 and Axa Assurances Cote D'Ivoire as Head of Technical Operations Reinsurance from 2004 to 2007. He has over 17 years of working experience in Reinsurance. Mr. Herve' Allou graduated from University of Bouake, Cote 'Ivoire in 1998 with Master in Economics Sciences and obtained a Baccalaureat 1994. In 2002 he obtained an Advanced Diploma in Insurance from International Insurance Institut (Iia) of Yaoundé, Cameroun Dess In Insurance.



CHARLES KARIUKI - CORPORATION SECRETARY

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

MANAGEMENT



Jadhah Mwarania - Managing Director



Michael Mbeshi - General Manger, Property and Administration



Beth Nyaga - General Manager, Reinsurance Operations



Jacqueline Njui - General Manager, Finance and Investments



Seleman Tembo - Regional Manager (Southern Africa)



Mr. Tadeo Nsubuga - Regional Manager (Uganda)



Herve' Allou Regional Manager, (West Africa)



Charles Kariuki - Corporation Secretary



Sammy Kaaria - Manager, Internal Audit



George Njuguna - Manager ICT



Gladyce Musyoki - Manager, Supply Chain



Hillary Wachinga - Manager, Risk & Compliance



Sally Waigumo - Manager Human Resources



Sylvia Karimi - Ag. Manager, Corporate Affairs



Elizabeth Omondi - Manager, Local Business

MANAGEMENT



Alice Mbutu - Manager,
Claims



Peter Angwenyi - Manager,
Subsidiary Office
Coordination



Teresa Kenga - Manager,
Life Business



Martin Mati - Manager,
Research and
Development



Jane Odipo - Manager,
Marketing and Business
Development



Philip Sanda - Manager,
Actuarial



Mr. Longin Nterere -
Ag. Manager,
International
Business



Judy Njuguna - Manager,
Records & Archives



John Rika - Manager,
Property



Consolata Kihara –
Manager, Administration



Johnson Ireri - Chief
Accountant



Nicodemus Gekone -
Manager, Investments



Samson Mudogo -
Manager, Credit Control



Mr. Davis Onsakia
- ISO Management
Representative



Mumut Ole Sialo -
Manager, Financial
Analyst, Zambia Office



Lucy Kagwiria - Ag.
Manager, West Africa
Office

CHAIRMAN'S OVERVIEW

It is my pleasure once again to present to you the Annual Report and Financial Statements for Kenya Reinsurance Corporation for the year 2020.

BUSINESS ENVIRONMENT

The year 2020 was full of surprises. What began as a positive global trajectory quickly took a U-turn with the speed at which the Covid-19 pandemic escalated, with the response by most Governments being to initiate lockdowns. This duly affected all forms of movement and businesses globally.

The good news is that major economies have escaped the pandemic and lockdowns with relatively little long-term economic damage thanks to substantial monetary and fiscal support. Wage subsidies and job retention schemes have prevented unemployment rates from rising significantly in most countries. The hospitality, tourism, transport, and retail sectors have been hit hard, but the overall balance sheet damage to corporates and households has been relatively limited despite the large lockdowns.

According to the World Bank, countries in the African region are continuing to weather the storm. Economic activity in Sub-Saharan Africa is estimated to have contracted by 2% in 2020, reflecting a slower-than-expected spread of the virus and lower COVID-19-related mortality in the region, strong agricultural growth, and a faster-than-expected recovery in commodity prices. Nevertheless, COVID-19 has plunged the region into its first recession in over 25 years, with activity contracting by nearly 5% on a per capita basis. It has also exacerbated public debt vulnerabilities, which are high and continue to rise in many countries. Vulnerable groups, such as the poor, informal sector workers, women, and youth, suffered disproportionately from reduced opportunities and unequal access to social safety nets. The situation could push up to 40 million people into extreme poverty, erasing at least five years of progress in fighting poverty.

In East and Southern Africa, the growth contraction in 2020 was estimated at -3%, 0.9 percentage point less than projected in October 2020, mostly driven by South Africa and Angola: its two largest economies. Disruptions in the tourism industry and lockdowns caused substantial slowdowns in Botswana, Namibia, Madagascar, and the island nations. Mining dependent economies such as Mozambique and Zambia continued to experience output contractions in the second half of 2020. Growth in Western and Central Africa contracted by 1.1% in 2020, less than projected in October 2020 partly due to a less severe contraction in Nigeria, the subregion's largest economy, in the second half of the year. Real gross domestic product in the subregion is projected to grow by 2.1% in 2021 and 3.0% in 2022. Fragile countries in the region are expected to experience a strong decline in growth as COVID-19 (coronavirus) exacerbates the drivers of fragility.

Sub-Saharan Africa's recovery is expected to be multi-speed, with significant variation across countries. Nigeria, South Africa, and Angola, the region's three largest economies, are expected to return to growth in 2021, partly owing to higher commodity prices, but the recovery will remain sluggish. Growth is projected to rebound to 1.4% in Nigeria, 3% in South Africa, and 0.9% in Angola. Muted near-term growth prospects and slow vaccine rollout in the largest economies will weigh on the region's outlook. Excluding Nigeria, South Africa, and Angola, activity is projected to expand at a more solid pace in the rest of the region with non-resource intensive countries such as Côte d'Ivoire and Kenya, and mining dependent economies, such as Botswana and Guinea, are expected to see robust growth in 2021 driven by a rebound in private consumption and investment as confidence strengthens and exports increase.

Following an initial financial market shock of significant magnitude, the global insurance sector has demonstrated



Chiboli Shakaba
Board Chairman

resilience aided by monetary and fiscal support measures in financial markets in certain regions with capital resources remaining well above requirements. However, potential vulnerabilities remain, given uncertainties about the duration and impact of the covid-19 crisis. A quick review of the global market insurance report 2020 alludes to this. Our hopes for accelerated growth and improved profitability were dashed in 2020 by the pandemic. Although there seems to be cautious optimism for improving conditions in the year 2021 and beyond.

INDUSTRY TRENDS

Despite the Covid-19 pandemic, globally, the industry saw emerging trends and highlights that included mergers & acquisitions, changing customer expectations, pricing, and risk optimization, IFRS17, climate change, technology modernization and insurtech, among others.

These new trends are in line with the market requirements, as the customer needs and market environment keep changing. This presents an opportunity to the industry to tap into the trends and ensure customer satisfaction is achieved. The Corporation has also leveraged on technology to ensure that seamless service to our customers is provided uninterrupted.

FINANCIAL PERFORMANCE

I am pleased to note that we have delivered impressive results during the period under review. Gross written premiums, net earned premiums and investment income registered commendable growth. We, however, note that the Corporation realized a drop in our profit before tax from Kshs. 4.18 billion in 2019 to Kshs 3.98 billion in 2020, a 5 % decrease. The decline is attributed to the increase in claims reserves, and cedant acquisition costs, accompanied by the decrease in property revaluation/fair gains and our share of profits from Zep-Re.

Our Asset base increased from Kshs 50.36 billion in 2019 to Kshs 53.24 billion in 2020, a growth of 6% while the Shareholders funds increased by 8% from Kshs 31.95 billion in 2019 to Kshs 34.40 billion in 2020.

STRATEGIC FOCUS

The Corporation has put in place strategies to take advantage of opportunities in the markets we operate in. We firmly believe that implementation of the strategy will enable the Corporation to increase its financial strength and yield targeted profits in the coming years.

During the period, the Corporation reviewed its business model and put in place measures to respond to the business environment. Our focus was geared towards improving our market engagement with stakeholders through structured sessions for business

development. We consider improvement of the Corporation's rating by AM Best to be key, to that end, we brought on board a rating agency consultant and embedded risk management in decision making.

BUSINESS DEVELOPMENT

Kenya Reinsurance Corporation prides itself in offering quality and world class reinsurance business solutions to clients in over 83 countries and in over 480 companies in Africa, Middle East and Asia.

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

CORPORATE SOCIAL RESPONSIBILITY

The Corporation has continued to build strong partnerships with its stakeholders and with the wider society through a well-conceived CSR campaign to bolster the social and economic stature of the needy in the society. In 2020, the Corporation donated Ksh 40,000,000 to the Covid-19 Emergency Response Fund to help the Government fight the spread of the novel corona virus disease. We believe our generous contribution went a long way in combating the spread of the pandemic.

APPRECIATION

I take this opportunity to record my sincere gratitude to the Government of Kenya, our key shareholder for continued support and guidance, all the authorities and agencies that provide ample support to Kenya Re.

I convey my appreciation to my colleagues on the Board for their invaluable contribution and dedication to take the Corporation to greater heights. I thank management for efficient and effective execution of the Corporations strategic and operational objectives geared to attainment of stakeholder's expectations.

I express my thankfulness to the valued customers and investors for their sustained support to the company. On behalf of Kenya Re board, management and staff I assure you of our total dedication and tireless efforts towards the objective of maximizing returns for all stakeholders.

God Bless you all.

CHIBOLI INDULI SHAKABA, MBS

CHAIRMAN

TAARIFA YA MWENYEKITI

UTANGULIZI

Ni furaha yangu tena kukuwasilishia Ripoti ya Kila Mwaka na Taarifa za Kifedha za Shirika la Bima ya Makampuni ya Kenya (Kenya Reinsurance Corporation) ya mwaka wa 2020.

MAZINGIRA YA BIASHARA

Mwaka wa 2020 ulikuwa na matukio mengi yasiyo ya kawaida. Kilichoanza kama mwelekeo chanya wa kilimwengu kwa haraka kiligeuka na kurudi nyuma kwa kasi ambayo janga la Covid-19 lilivyoongezeka, huku mwitiko wa Serikali nyingi ukiwa kuanzisha mkakati wa kusitisha shughuli za kawaida. Hii iliathiri pakubwa mifumo yote ya matembezi na safari pamoja na biashara ulimwenguni.

Habari njema ni kuwa uchumi kuu umeepuka janga na kusitishwa kwa shughuli za kawaida kwa kuvurugika kiasi kwa uchumi wa muda mrefu kwa usaidizi wa mambo muhimu ya kifedha na msaada wa hazina ya serikali. Mipango ya ruzuku za mshahara na uhifadhi wa kazi imezuia viwango vya ukosefu wa ajira dhidi ya kuongezeka pakubwa katika nchi kadhaa. Sekta za hoteli, utalii, usafiri, na rejareja zimeathiriwa sana, lakini uharibifu wa jumla wa taarifa ya hali ya kifedha kwa biashara na familia umekuwa mchache zaidi bila kujali kusitishwa pakubwa kwa shughuli za kawaida.

Kwa mujibu wa Benki ya Dunia, nchi nyingi katika ukanda wa Afrika zinaendelea kustahimili hali ngumu. Shughuli ya kiuchumi katika nchi za Afrika zilizo Kusini mwa Jangwa la Sahara inakadiriwa kuwa imepungua kwa 2% mwaka wa 2020, ikiakisi msambao wa virusi wa polepole zaidi ya ilivyotarajiwa na idadi ya chini ya vifo vinavyosababishwa na COVID-19 katika ukanda huo, ukuaji imara wa kilimo, na upataji nafuu wa haraka zaidi ya ilivyotarajiwa katika bei za bidhaa. Hata hivyo, COVID-19 imetumbukiza ukanda huo katika kupungua kwa uchumi wake kwa mara ya kwanza katika zaidi ya miaka 25, huku shughuli ikipungua kwa karibu 5% kwa msingi wa kila mtu. Imeongeza pia uwezo wa kuathirika kwa madeni ya umma, ambayo yako juu na yanaendelea kuongezeka katika nchi nyingi. Vikundi vinavyoweza kuathirika, kama vile maskini, wafanyakazi wa sekta zisizo rasmi, wanawake, na vijana, waliteseka kwa viwango visivyo sawa kutokana na nafasi zilizopungua na ukosefu wa usawa wa kufikia kinga za usalama wa jamii. Hali hiyo inaweza kusukuma hadi watu milioni 40 katika umaskini mkubwa, kufuta angalau miaka mitano ya maendeleo ya kupigana na umaskini.

Katika Afrika ya Mashariki na Kusini, kupungua kwa ukuaji mwaka wa 2020 ulikadiriwa kuwa -3%, asilimia 0.9 chini ya ulioangaziwa Oktoba 2020, ukiendeshwa pakubwa na Afrika Kusini na Angola: uchumi wake mbili kubwa zaidi. Usumbufu katika sekta ya utalii na kusitishwa kwa shughuli za kawaida kulisababisha ukuaji wa polepole sana huko Botswana, Namibia, Madagaska, na mataifa ya visiwa. Uchumi unaotegemea migodi kama vile Msumbiji na Zambia uliendelea kukumbana na kupungua kwa uzalishaji katika miezi sita ya mwisho wa mwaka wa 2020. Ukuaji katika Afrika ya Magharibi na ya Kati ulipungua kwa 1.1% mwaka wa 2020, chini ya ilivyoangaziwa Oktoba 2020 kiasi kwa sababu ya upunguaji mkali kiasi katika Nijeria, uchumi mkubwa zaidi katika eneo hilo, katika miezi sita ya mwisho wa mwaka huo. Jumla halisi ya bidhaa za ndani katika ukanda huo inaangaziwa kukua kwa 2.1% mwaka wa 2021 na 3.0% mwaka wa 2022. Nchi hafifu katika ukanda huo zinatarajiwa kuwa na upunguaji thabiti wa ukuaji huku COVID-19 (virusi vya korona) ikiongeza visababishi vya uhafifu.

Upataji nafuu wa Afrika ya Kusini mwa Jangwa la Sahara unatarajiwa kuwa wa kasi anuwai, na utofauti mkubwa katika nchi. Nijeria, Afrika Kusini, na Angola, uchumi tatu mkubwa zaidi katika ukanda huo, zinatarajiwa kurejea ukuaji mwaka wa 2021, kiasi yake kwa sababu ya bei ya juu ya bidhaa, lakini upataji nafuu utasalia kuwa polepole. Ukuaji unaangaziwa kurejea kwa 1.4% Nijeria, 3% Afrika Kusini, na 0.9% katika Angola. Matarajio yaliyonyamazishwa ya ukuaji wa kipindi cha hivi karibuni na utoaji wa chanjo polepole katika uchumi mkubwa zaidi utategemea mwonekano wa ukanda huo. Bila kujumuisha Nijeria, Afrika Kusini, na Angola, shughuli inatarajiwa kupanuka katika kasi imara katika sehemu nyingine za ukanda huo huku nchi zisizotumia rasilimali sana kama vile Kodivaa na Kenya, na uchumi unaotegemea uchimbaji migodi, kama vile Botswana na Gine, unatarajiwa kuona ukuaji mkubwa mwaka wa 2021 unaoendeshwa na kurejea kwa matumizi na uwekezaji katika sekta ya kibinafsi huku ujasiri ukiwa imara na bidhaa na huduma zinazouzwa nje ya nchi zikiongezeka.

Kufuatia mshtuko wa awali wa soko la kifedha wa ubora mkubwa, sekta ya bima ya ulimwengu imeonyesha ustahimilivu unaosaidiwa



Chiboli Shakaba
Mwenyekiti

na mikakati ya msaada wa mambo ya kifedha na hazina ya serikali katika masoko katika maeneo fulani yaliyo na rasilimali za kifedha zikisalia juu ya mahitaji. Hata hivyo, uwezo wa kudhurika unaoweza kutokea bado upo, kwa sababu ya shaka kuhusu kipindi na athari ya janga la covid-19. Ukaguzi wa haraka wa ripoti ya 2020 ya soko la bima ulimwenguni unadokeza haya. Matumaini yetu ya ukuaji wa haraka na uboreshaji wa faida yaliondolewa mwaka wa 2020 na janga. Ijapokuwa kunaonekana kuwa na matumaini ya tahadhari ya uboreshaji wa hali katika mwaka wa 2021 na mbeleni.

MIENENDO YA SEKTA

Bila kujali janga la Covid-19, ulimwenguni, sekta iliona mienendo inayochipuka na ushirikiano inayojumuisha miungano na mapatano, kubadilisha matarajio ya mteja, uwekaji bei, na matarajio ya hatari, IFRS17, mabadiliko ya hali ya anga, kufanya teknolojia iwe ya kisasa na teknolojia ya bima, miongoni mwa mingine.

Mienendo hii mipya inaendana na mahitaji ya soko, huku mahitaji ya mteja na mazingira ya soko yakiendelea kubadilika. Hii inaleta nafasi kwa sekta hii kuchukua mienendo hiyo na kuhakikisha kuwa wateja wanaridhishwa. Shirika pia limeboresha teknolojia ili kuhakikisha kuwa msururu wa huduma kwa wateja wetu unatolewa bila kukatizwa.

UTENDAJI WA KIFEDHA

Nina furaha ya kudokeza kuwa tumetoa matokeo ya kuridhisha wakati wa kipindi kinachofanyiwa ukaguzi. Jumla ya malipo ya bima yaliyoandikwa, jumla ya malipo ya bima yaliyochumiwa na mapato ya uwekezaji yalisajili ukuaji mkubwa. Sisi, hata hivyo, tunadokeza kuwa Shirika liligundua kupungua kwa faida yetu kabla ya ushuru kutoka kwa shilingi za Kenya bilioni 4.18 mwaka wa 2019 hadi shilingi za Kenya bilioni 3.98 mwaka wa 2020, upungufu wa 5%. Upungufu huo ni kutokana na ongezeko la akiba za madaai, na gharama za uchukuaji, ukisaidiwa na kupungua kwa utathmini upya wa mali/faida za haki na mgao wetu wa faida kutoka kwa Zep-Re.

Mali yetu iliongezeka kutoka kwa shilingi za Kenya bilioni 50.36 mwaka wa 2019 hadi shilingi za Kenya bilioni 53.24 mwaka wa 2020, ukuaji wa 6% huku fedha za Wamiliki wa hisa ziliongezeka kwa 8% kutoka shilingi za Kenya bilioni 31.95 mwaka wa 2019 hadi shilingi za Kenya bilioni 34.40 mwaka wa 2020.

LENGO LA KIMKAKATI

Shirika limeweka mikakati ya kutumia vizuri nafasi zilizopo katika masoko tunamoendeshea shughuli. Tunaamini imara kuwa utekelezaji wa mkakati huo utawezesha Shirika kuongeza uwezo wake wa kifedha na kupata faida zinazolengwa katika miaka ijayo.

Katika kipindi hiki, Shirika lilikagua mfumo wake wa biashara na kuweka mbinu za kukabiliana na mazingira ya biashara. Lengo letu liliendeshwa dhidi ya kuboresha uhusiano wetu wa soko na washikadau kupitia vipindi

vyenye muundo vya maendeleo ya biashara. Tunazingati uboreshaji wa ukadiraji wa Shirika na AM Best kuwa muhimu, hadi mwisho huo, tulihusisha shirika la ushauri wa ukadiraji na udhibiti wa hatari zilizopo katika kufanya uamuzi.

MAENDELEO YA BIASHARA

Kenya Reinsurance Corporation inajigamba katika kutoa suluhisho za biashara za bima bora na ya kimataifa kwa makampuni kwa wateja katika zaidi ya nchi 83 na katika zaidi ya makampuni 480 Afrika, Mashariki ya Kati na Asia.

Tuna ofisi za ukanda katika Kodivaa, Zambia na sasa hivi karibuni katika Uganda ambapo wateja wetu wanaweza kuendelea kufurahia huduma zetu. Tutaendelea kutafuta nafasi mpya zinazoweza kutoa soko anuwai kwa mahitaji ya wateja wetu na kupanua upeo wetu.

MAJUKUMU YA SHIRIKA KWA JIAMII

Shirika limeendelea kujenga ushirika imara na washikadau wake na jamii pana kupitia kampeni ya CSR inayochukuliwa vizuri ili kuimarisha hali ya kijamii na kiuchumi ya maskini katika jamii. Mnamo 2020, Shirika lilitoa mchango wa shilingi za Kenya 40,000,000 kwa Fedha za Kukabiliana na Dharura za Covid-19 ili kusaidia Serikali kupigana na msambao wa ugonjwa wa virusi vya korona. Tunaamini kuwa mchango wetu wa ukarimu ulisaidia pakubwa kukabiliana na msambao wa janga hili.

SHUKRANI

Nachukua nafasi hii kuwasilisha shukrani yangu ya dhati kwa Serikali ya Kenya, mshikadau wetu wa kimsingi kwa msaada na ushauri unaoendelea, mamlaka na mashirika yote yanayotoa msaada unaofaa kwa Kenya Re.

Napitisha shukrani yangu kwa wenzangu kwenye Bodi kwa mchango wao usio na kifani na kujitolea kupeleka Shirika hili katika viwango vya juu. Nashukuru usimamizi kwa utoaji unaotosha na unaofaa wa malengo ya kimkakati na utendaji ya Shirika yanayolenga kutimiza matarajio ya washikadau.

Natoa shukrani zangu za dhati kwa wateja na wawekezaji wanaothamaniwa kwa msaada wao wa kudumu kwa kampuni. Kwa niaba ya bodi, usimamizi na wafanyakazi wa Kenya Re nawahakikishia kujitolea kwetu kikamilifu na juhudi zisizopungua dhidi ya lengo la kufanikisha mapato ya washikadau wote.

Mungu Awabariki nyote.

CHIBOLI INDULI SHAKABA, MBS

MWENYEKITI

MANAGING DIRECTOR'S STATEMENT

MANAGING DIRECTOR'S STATEMENT FOR ANNUAL REPORT FOR FULL YEAR 2020

PERFORMANCE

I am delighted to present the Annual Report and Group Financial Statements for Kenya Reinsurance Corporation Ltd, for the year ended 31st December 2020.

The Corporation posted positive results despite the Covid-19 pandemic that affected all facets of businesses and economies worldwide. This was possible through aggressive implementation of our corporate strategies as spelt out in the year 2020 Business Plan. From the start of the pandemic, we took a disciplined and prudent approach of ensuring our operations continued without disruptions.

The year 2020 was a tumultuously turbulent one for markets worldwide because of, among other things, the Covid-19 pandemic which negatively impacted global trade and disposable incomes as unemployment rates increased. The global economy plunged into a recession contracting by 4.3% according to the World Bank. Governments played a key part in containing the economic fallout caused by the pandemic by adopting accommodative monetary policy stance, such as lowering interest rates, and providing the much-needed stimulus packages to effectively support liquidity in markets. According to the World Bank's global economic prospects 2021, the global economy is projected to recover in 2021 to a growth rate of 4.0%.

There were several impacts posed by the Covid-19 pandemic in the insurance sector. Since March 2020 when the pandemic was declared by World Health Organization (WHO), both Governmental and Non-Governmental institutions in Kenya rallied together in a multi-sectoral approach to support the individuals and communities most affected by Covid-19 shocks. The interventions included bank charges waivers on cashless transactions, as well as restructuring of loans for longer repayment terms for individuals and small and medium enterprises (SMEs). The country saw large cash transfers and health expenditure initiatives by both the government and the Donor Community, along with the setting up of the Covid-19 Emergency Response Fund. By August 2020, the Government had committed approximately Ksh34 billion for interventions aimed at assisting persons affected by the Covid-19 related shocks.

Some of the affected areas of our operations due to the pandemic included increased government & regulatory oversight, cross accumulation risks, cyber security threats and fraud, service level agreement failure threats, increased litigation and reputation risks, remote working, increased inquiries and claims as well as solvency and liquidation risks.

Despite the monumental challenges posed by the pandemic, the Corporation is on track to attain growth in all fundamental areas of focus, and to obtain increased shareholder value by employing robust strategies anchored on its five strategic pillars namely financial performance, business development, business process improvement, enhanced risk management as well as people and culture.

FINANCIAL PERFORMANCE

The profit before tax for the period ended 31st December 2020 stood at Ksh3.984 billion compared to Ksh4.176 billion for the same period ended 31st December 2019 which is a decrease of 4.6%.

The drop on the profitability was due to decrease of unrealized fair value gains on revaluation of investment properties, increase in net claims incurred which was caused by increase of the claim's reserves between the two periods because of change in methodology used to compute Unearned Premium Reserves (UPR) and a drop in share of associates profits, from Zep Re which dropped by 295 million.

Gross written premiums grew by 6% from Ksh17.52 billion in 2019 to Ksh18.54 billion in 2020. The net earned premiums rose by 34% from Ksh15.53 billion in 2019 to Ksh20.85 billion in 2020. The key drivers included market identification and



Jadhah Mwarania
Managing Director

focus, diversification of business portfolio, effective response to changing customer needs and prudent underwriting, among others.

Investment income grew by 2% from Kshs. 3.71 billion in 2019 to Kshs. 3.79 billion in 2020 and was underpinned by an effective investment strategy. This performance was driven by investments in fixed income instruments with competitive returns, strategic exposure to companies with high dividend payout and rental income from our commercial buildings.

FINANCIAL POSITION

The total assets grew by 6% from Ksh50.36 billion in 2019 to Ksh53.24 billion in 2020. The shareholders' funds went up from Ksh31.95 billion in 2019 to Ksh34.40 billion in December 2020 an increase of 8%.

The investment asset portfolio grew to Ksh45.67 billion in 2020 from Ksh43.75 billion in 2019, which was a 4% growth. Both A.M Best and GCR rated the Corporation's Risk-adjusted capitalization at the strongest category. The financial strength rating by both rating agencies had a stable outlook. GCR rated the Corporation at AA+.

MARKET AND PRODUCT DEVELOPMENT

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

The Corporation has remained keen on developing technical capacity in insurance and reinsurance. This commitment has seen Kenya Re conduct online technical reinsurance and insurance trainings for several insurance markets across Africa on a variety of subjects such as property, marine, health, oil and gas, political risks, casualty, professional indemnity as well as individual and group life reassurances.

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

We focused on all areas of strategic and operational improvement in line with the 2017 – 2021 Strategic Plan as supported by the 2020 Business Plan. Among the initiatives we undertook were aggressive marketing, reduced claims payment turnaround time, lobbying with the regulator and industry players on enforcement of market wide issues such as cash and carry in respect of premium payment in Kenya, and

partnerships in innovation and product development with market players like the Association of Kenya Insurers (AKI).

FINANCIAL AND CREDIT RATING

The Global Credit Rating (GCR) agency reviewed the credit rating of the Corporation resulting in our Financial Strength Ratings being rated as AA+. The outlook was assessed as stable. The rating agency also rated the Corporation's international strength credit rating as B+ with an equally stable outlook assessment. Similarly the rating agency rated the Corporation's risk-adjusted capitalization as very strong.

A.M Best retained the Corporation's rating of B for year 2020. The outlook was assessed as stable. The issuer Credit Rating (ICR) was assessed as bb+.

ISO CERTIFICATIONS

The Corporation successfully retained its ISO certifications under the ISO standard 9001:2015. This is attestation that the Corporation's quality management systems are aligned to the best global quality management systems and practices.

Additionally, the Corporation retained the ISO 27001:2013 certification which it adopted in 2019 as the 6th organization in Kenya to achieve that ISO certification. This is a certification with respect to information security and management systems (ISMS).

KENYA RE'S 50th ANNIVERSARY

The year 2020 marked an important milestone in the journey of the Corporation. Kenya Re attained 50 years of continuous and successful corporate existence. This was a celebratory moment as we looked far back to the 1970 beginning and the important milestones we achieved along the way.

Some key milestones along that journey of the Corporation include:

Establishment in 1970.

Commencement of business in 1971.

Reinsurance Plaza Nairobi commenced construction in 1978 and opened in 1982.

Incorporation as a public limited liability company in 1997.

Had the 1st woman chairperson at the Nairobi securities Exchange ring the bell during the Initial Public Offering in 2007.

Initial rating by AM Best in 2005.

Gross Written Premium growth from Ksh3.6 billion in 2008 to 18.5 billion in 2020,

Set up our regional office in Abidjan, Cote D'Ivoire in 2010, Lusaka, Zambia 2015 and Kampala, Uganda in 2019.

Launched flagship & award-winning Niko Fiti CSR initiative in 2011.

Rebranded with a new corporate look after 42 years in 2012.

Launched Retakaful window in 2012.

Certified on two (2) Global ISO Standards; ISO 9001:2015 (QMS) and ISO 27001:2013 (ISMS)

These few but key highlights have contributed to the growth and stability of the Corporation over the last 50 years and have inspired us to continue building the company to maximize shareholder value and secure the future of the Corporation. We appreciate the contribution and support as our shareholders and other stakeholders to the growth of the Corporation.

The Corporation appraised its stakeholders of the achievements it has made during the 50-year journey towards providing excellent reinsurance service in its chosen markets through a rigorous media campaign in year 2020. This was achieved through various media outlets and platforms to ensure various stakeholders and shareholders are aware of the celebrations. These communications were in the form of radio, television, print media, billboards and digital media.

COVID – 19 PREPAREDNESS – BUSINESS CONTINUITY PLAN ACTIVATION

Following the onset of the Covid-19 pandemic, safety and the general wellbeing of the employees and their families, tenants, business partners, investors, customers, and all other stakeholders was of paramount importance to the Corporation. Alongside the guidelines and directives issued by the Government, the Corporation took cautionary measures to ensure business continuity and minimal spread of the virus. These included but not limited to;

Providing alcohol-based sanitizers at common areas in our offices in addition to the soaps and running water

Staff were put of rotational work schedules between working at home and the offices. We had 50% of staff working in the office while the other 50% was working from home. This was in a bid to decongest the office to minimize the spread of the virus.

In line with the government directive to maintain social distancing we made necessary arrangements to use virtual conferencing for meetings with all our stakeholders to minimize physical contacts in our interactions.

Consistent communication to staff in respect health & safety was managed centrally from the office of the Managing Director using different communication channels.

We implemented other health & safety measures to curb the spread of the Covid-19 virus that included and not limited to; suspension of all forms of travel, halted issuance of parking disks, authorization of self-

quarantine where necessary, provision of face masks, enhanced sanitization of surfaces and provision of thermometers to take temperature readings of staff and people coming into the buildings.

INVESTMENT IN TECHNOLOGY

With the onset of the Covid-19 pandemic in March 2020, the Government of Kenya issued an advisory encouraging corporates and businesses to allow where possible employees to work from home and where not possible to ensure that social distance requirements were adhered to.

Many businesses complied amidst great reluctance and trepidation due to the general lack of preparedness all around. The work from home policy was adopted across the country with many companies having overcome the initial paralysis to transition their employees to working from home.

The seamless transition to working from home required companies to provide their employees with remote working tools including collaboration, video conferencing, performance management tools as well as software for remote access to company systems from home.

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

HUMAN CAPITAL

As a Corporation, we realize that our corporate objectives cannot be met without the support of a committed, contented and loyal workforce. We realize that it is important that our staff completely internalize what our corporate objectives are, what we aim to achieve and where we want to be in the future in every area of our operations.

To this end, we continue to invest more in our staff through performance management, succession planning and development programs. We are continuously recruiting skilled staff on a need basis to bring in fresh new perspectives on how to realize our corporate objectives.

CORPORATE SOCIAL RESPONSIBILITY

One of our six core values is 'Good Corporate Citizenship'. Under this core value we make the promise that we will remain conscious of the lives and livelihoods of the people in the communities we operate in and will participate in projects that provide both emotional and

financial support in demonstration of our commitment to social responsibility. Due to the covid-19 pandemic, the Corporation did not undertake the Niko Fiti -Ability Beyond Disability physical campaign activities because of the Government regulations through the ministry of health of social distancing and the ban on social gatherings.

However, the Corporation made a great impact through its donation to the Covid-19 Emergency Fund. According to World WHO), the globe was facing a shortage of personal protection equipment and urged countries and industries to look for manufacturing opportunities in their own countries. Kenya was producing facemasks, sanitizers, disinfectants, and other assorted equipment in line with protective material with the shortage of personal protective kits being experienced.

It is with this in mind that the Corporation decided to support its major stakeholder, the Government of Kenya in its fight against the pandemic by donating Ksh.40,000,000. This, the Corporation believed, helped the emergency response fund in its efforts to curb the spread of the disease. The donation was in line with our government's fight against the deadly pandemic that a series of local companies and individuals also contributed towards.

THE FUTURE

The Covid-19 pandemic continues to effect communities and businesses across the globe. The start of vaccination efforts brings hope that the situation will improve soon.

The Corporation will continue to implement its 2017-2021 strategic plan in view of the changing market requirements through the annual reviews documented in the annual business plans. This will ensure we remain focused on the achievement of the set strategic objectives which are sustainable and robust financial growth, maintaining systems and processes that address business needs and stakeholders' interests, growing and diversifying quality portfolios for business sustainability, maintaining robust risk management initiatives and developing human resources and culture to match the Corporation's performance requirements.

The economy is projected to start recovering gradually. The gross domestic product growth is estimated to grow within a range of 3.9% - 4.1% in Kenya (World Bank & Kenya National Bureau of Statistics estimates). The key factors that will support the said growth include:

Improved business recovery: A recovery in the business environment is being recorded. With the vaccines being nationally distributed, we expect that gradual lifting of movement restrictions globally will reduce the supply chain disruptions experienced globally and

help improve consumer demand,

Access to affordable credit: Private sector credit growth has remained relatively stable even during the pandemic averaging about 7.7%. According to data from the January 2021 monetary policy committee, strong growth was observed in the manufacturing, trade, transport and communication as well as the real estate sectors where credit grew by 22.7%, 18.7%, 14.5% and 12.8%, respectively. Given that the main concern is the loan quality, with the expected recovery of the business environment, we might see a gradual improvement in credit growth in the private sector.

Stable growth of the agricultural sector: This follows the favourable weather experienced in last quarter of year 2020 and the re-opening of the economies of some of Kenya's major trading partners. The agricultural sector is expected to support growth despite the expectations of a mild locust invasion where there have been reports of immature locust swarms located in the semi-arid areas of the country.

We expect continued pressure on the life segment during the 2021 financial year because of lay-offs which have negatively impacted the premium in this sector. On non-life segment, we expect a moderate rebound of the key sectors of the economy and this will bring in pressure on volume of premiums generated. The Corporation has rationalized the 2021 Business Plan targets having put this into consideration in making projections.

CONCLUSION

In conclusion, I take this opportunity to sincerely express my appreciation to the board of directors for wise counsel and guidance. I thank the management of Kenya Re for their tireless efforts towards achieving corporate objectives. I greatly appreciate the continued support of our stakeholders without which we would have achieved what we did in year 2020. I thank our shareholders for the trust and faith they have in us in acquiring and retaining their stake in the corporation.

JADIAH M. MWARANIA

MBA, BCom (Hons), FCII, FIIK, Chartered Insurer,
FMKIM, OGW

MANAGING DIRECTOR

TAARIFA YA MKURUGENZI MKUU KUHUSU RIPOTI KAMILI YA KILA MWAKA YA MWAKA WA 2020

MATOKEO YA UTENDAKAZI WA SHIRIKA

Nina furaha ya kuwasilisha Ripoti ya Kila Mwaka pamoja na Taarifa za Kifedha za Shirika la Bima la Kenya Reinsurance Corporation Ltd, za mwaka uliomalizikia tarehe 31 Desemba 2020.

Shirika lilikuwa na matokeo chanya bila kujali kuwepo kwa janga la COVID-19 lililoathiri sehemu zote za biashara na uchumi kote duniani. Hii iliwezekana kupitia utekelezaji wa mikakati yetu ya shirika ilivyofafanuliwa kwenye Mpango wa Biashara wa mwaka wa 2020. Kuanzia mwanzoni mwa janga, tulichukua mtazamo wenye nidhamu na busara wa kuhakikisha kuwa utendakazi wetu uliendelea bila usumbufu.

Mwaka wa 2020 ulikuwa na msukosuko sana kwa masoko kote duniani kwa sababu ya, miongoni mwa vitu vingine, janga la COVID-19 ambalo liliathiri hasi biashara ya ulimwengu na mapato ya kutumika kwa sababu viwango vya kukosa ajira viliongezeka. Uchumi wa kitaifa ulitumbukia kwenye kuzorota kwa uchumi kwa 4.3% kulingana na Benki ya Dunia. Serikali zilicheza sehemu muhimu katika kukabiliana na kuzorota kwa uchumi iliyosababishwa na janga kwa kutumia sera ya kupanua usambazaji na mzunguko wa fedha ili kuboresha uchumi, kama vile kupunguza viwango vya riba, na kutoa vifurushi vya vichochezi vinavyohitajika zaidi ili kusaidia kwa ufanisi uwepo wa pesa kwenye masoko. Kulingana na matazamiaji ya kiuchumi ulimwenguni ya 2021 ya Benki ya Dunia, uchumi wa ulimwengu unatazamiwa kupata nafuu mwaka wa 2021 kwa kiwango cha ukuaji cha 4.0%.

Kulikuwa na athari kadhaa zilizowekwa na janga la Covid-19 katika sekta ya bima. Tangu Machi 2020 ambapo janga lilitangazwa na Shirika la Afya Duniani (WHO), taasisi za Kiserikali na Zisizo za Kiserikali nchini Kenya ziliungana pamoja katika mtazamo wa sekta mbalimbali ili kusaidia watu binafsi na jamii zilizoathiriwa zaidi na mshtuko wa COVID-19. Miingiliano hiyo ilijumuisha kuondolewa kwa gharama za benki kwa miamala isiyo ya pesa taslimu, sawa na kuunda upya mikopo kwa ajili ya masharti ya malipo ya muda mrefu kwa watu na biashara ndogo ndogo na wastani (SME). Nchi iliona utumaji mkubwa wa fedha na mipango ya matumizi ya pesa kwa afya na serikali pamoja na Jumuiya ya Ufadhili, pamoja na kuanzisha Fedha za Kukabiliana na Dharura ya COVID-19. Kufikia Agosti 2020, Serikali ilikuwa imetoa karibu shilingi za Kenya bilioni 34 kwa shughuli zinazolenga kuwasaidia watu walioathiriwa na mshtuko inayohusiana na Covid-19.

Baadhi ya maeneo yaliyoathiriwa ya uendeshaji wetu kwa sababu ya janga yanajumuisha ongezeko la usimamizi wa serikali na udhibiti, hatari moja kusababisha hatari kadhaa pamoja, vitisho vya usalama wa mtandaoni na ulaghai, vitisho vya kufeli kwa makubaliano ya kiwango cha huduma, ongezeko la hatari za mashtaka na sifa, kufanya kazi nyumbani, ongezeko la madai sawa na hatari za kuwa na pesa za kutosha kulipa madeni yako na upatikanaji wa pesa kwa uchumi.

Bila kujali changamoto za kipekee zilizoletwa na janga hilo, Shirika linaendelea kupata ukuaji katika maeneo yote msingi yanayolengwa, na kupata ongezeko la thamani ya mshikadau kwa kuweka mikakati kadhaa iliyo na msingi wa mihimili yake ya mikakati mitano ambayo ni utendaji wa kifedha, maendeleo ya biashara, uboreshaji wa mchakato wa biashara, usimamizi wa juu wa hatari sawa na watu na utamaduni.

MATOKEO YA KIFEDHA

Faida ya kabla ya ushuru ya kipindi kilichoisha tarehe 31 Desemba 2020 ilikuwa shilingi za Kenya bilioni 3.984 ikilinganishwa na shilingi za Kenya bilioni 4.176 kwa kipindi sawa kilichoisha tarehe 31 Desemba 2019 ambayo imepungua kwa 4.6%.

Kupungua kwa faida ilikuwa ni kwa sababu ya kupungua kwa mapato lisilojulikana la thamani wastani kuhusu uwekaji thamani upya kwa mali ya uwekezaji, ongezeko la jumla ya mapato yaliyotokea ambayo yalisababishwa na kuongezeka kwa akiba za dai kati ya vipindi hivyo viwili kwa sababu ya mabadiliko katika mbinu iliyotumika kuhesabu Akiba za Kulipia Ambazo Hazikupatikana (UPR) na kupungua kwa hisa ya faida husika, kutoka kwa Zep Re iliyopungua na milioni 295.

Jumla ya malipo yaliyoandikwa yalikua kwa 6% kutoka shilingi za Kenya bilioni 17.52 mnamo 2019 hadi shilingi za Kenya bilioni 18.54 mwaka wa 2020. Jumla ya malipo yaliyopatikana yaliongezeka kwa 34% kutoka shilingi za Kenya bilioni 15.53 mwaka wa 2019 hadi shilingi za Kenya bilioni 20.85 mwaka wa 2020. Vichochezi vikuu vinajumuisha utambulisho na lengo la soko, utofauti wa sifa ya biashara, kushughulikia kwa njia inayofaa mahitaji ya wateja yanayobadilika na kuthibitisha maelezo ya mapato na mali kwa busara, miongoni mwa vingine.

Mapato ya uwekezaji ulikua kwa 2% kutoka shilingi za Kenya bilioni 3.71 mwaka wa 2019 hadi shilingi za Kenya bilioni 3.79 mwaka wa 2020 na yalisaidiwa na mkakati faafu wa uwekezaji. Utendaji huu uliletwa na uwekezaji katika vifaa thabiti vya mapato kwa mapato yenye ushindani, kuwa wazi kimkakati kwa makampuni yaliyo ya malipo ya juu ya ruzuku na mapato ya kodi ya nyumba kutoka kwa majengo yetu ya kibiashara.



Jadhiah Mwarania
Mkurugenzi Mkuu

HALI YA KIFEDHA

Jumla ya mali ilikua kwa 6% kutoka shilingi za Kenya bilioni 50.36 mnamo 2019 hadi shilingi za Kenya bilioni 53.24 mwaka wa 2020. Fedha za washikadau ziliongezeka kutoka kwa shilingi za Kenya bilioni 31.95 mwaka wa 2019 hadi shilingi za Kenya bilioni 34.40 Desemba 2020, ongezeko la 8%.

Sifa ya mali ya uwekezaji ilikua hadi shilingi za Kenya bilioni 43.75 mwaka wa 2020 kutoka kwa shilingi za Kenya bilioni 43.75 mwaka wa 2019, hii ilikuwa ukuaji wa 4%. A.M Best na GCR zote ziliweka kipimo cha mtaji wa Hatari uliorekebisha katika Shirika kuwa katika kategoria ya thabiti zaidi. Kipimo cha nguvu ya kifedha na mashirika yote mawili ya uwekaji kipimo kilikuwa na mwonekano imara. GCR ilipatia Shirika kipimo cha AA+.

MAENDELEO YA SOKO NA BIDHAA

Shirika liliweza kuimarisha sifa zake za mkataba wa bima ya makampuni makubwa na biashara ya idara katika masoko yake yaliyochaguliwa Afrika, Mashariki ya Kati na Asia. Tulitafuta biashara mpya ya bima ya makampuni makubwa na kufanya bidii ya kudumisha biashara iliyopo tayari. Tuliimarisha sifa za biashara kwa kuzalisha biashara moja kwa moja kutoka kwa makampuni yanayotengana sawa na kusawazisha katika ubia na biashara za katikati na washirika wengine.

Shirika limejizatiti ili kuhakikisha kuwepo kwa uendeleu wa kiuwezo wa kiufundi katika bima na bima ya makampuni makubwa. Kujitolea huko kumefanya Kenya Re kufanya mafunzo ya mtandaoni kuhusu ufundi wa bima ya makampuni makubwa na bima kwa masoko kadhaa ya bima Afrika kwenye mada mbalimbali kama bima ya mali, baharini, afya, mafuta na gesi, hatari za kisiasa, ukawaida, malipo ya kitaalamu sawa na bima ya afya ya mtu binafsi au kikundi cha watu.

Tuliendeleza uwezesaji wa kuweka msingi wa mfumo wa udhibiti wa hatari ya biashara katika kufanya uamuzi, kutumia mbinu za uchanganuzi katika kuamua kuwa wazi kwa hatari na utatu wa madai zaidi ya michakato ya takwimu za bima ikijumuisha kuweka akiba na utafiti mbalimbali unaofaa.

Tulilenga maeneo yote ya maendeleo ya kimkakati na uendeshaji kwa kufuata Mpango wa Kimkakati wa 2017-2021 ilivyoungwa mkono na Mpango wa Biashara wa 2020. Miongoni mwa mambo tuliyoshughulikia ilikuwa ni mauzo, kupunguza muda wa kulipa madai, kushawishi mdhibiti na waendesha sekta kuhusu utekelezwaji wa masuala mapana ya soko kama vile kuchukua bidhaa baada ya kulipia kamili kwa mujibu wa malipo ya bima nchini Kenya, na ushirika katika uvumbuzi na maendeleo ya bidhaa pamoja na washiriki wa soko kama Muungano wa Watoa Bima Kenya (AKI).

UKADIRIAJI WA KIFEDHA NA MKOPO

Shirika la Ukadiriaji wa Mkopu Ulimwenguni (GCR) lilikagua ukadiriaji wa mkopo wa Shirika na kupata kuwa Vipimo vya Uwezo wetu Kifedha vilikuwa AA+. Mtazamo ulitathminiwa kuwa ni imara. Shirika hilo la ukadiriaji pia lilikadiria kipimo cha Uwezo wa mkopo kimataifa cha Shirika kuwa B+ pamoja na tathmini imara ya mwonekano. Aidha, shirika la ukadiriaji lilikadiria mtaji wa hatari iliyorekebisha ya Shirika kuwa imara kabisa.

A.M Best ilidumisha ukadiriaji wa Shirika wa B kwa mwaka wa 2020. Mtazamo ulitathminiwa kuwa ni imara. Mtoaji wa Ukadiriaji wa Mkopu (ICR) ulitathminiwa kama bb+.

UTHIBITISHO WA ISO

Shirika lilidumisha kwa ufanisi uthibitisho wake wa ISO chini ya kiwango cha ISO cha 9001:2015. Huu ni ushahidi kuwa mifumo ya udhibiti wa ubora wa Shirika inaambatana na mifumo na matendo bora ya udhibiti wa ubora ulimwenguni.

Zaidi, Shirika lilidumisha uthibitisho wa ISO 27001:2013 ambao lilichukua mwaka wa 2019 kama shirika la 6 nchini Kenya kupata uthibitisho huo wa ISO. Huu ni uthibitisho kwa mujibu wa mifumo ya usalama na usimamizi wa taarifa (ISMS).

MAADHIMISHO YA MIAKA 50 YA KENYA RE

Mwaka wa 2020 uliadhimisha hatua muhimu katika safari ya Shirika hili. Kenya Re iliadhimisha miaka 50 ya uwezo wa biashara kwa mfululizo na ufanisi. Huu ulikuwa wakati wa sherehe tulipoangalia nyuma zaidi mnamo 1970 tulipoanza na hatua muhimu ambazo tumefanikisha katika safari hiyo.

Baadhi ya hatua muhimu katika safari ya Shirika zinajumuisha:

- Kuanzishwa mwaka wa 1970.
- Kuanzisha biashara mwaka wa 1971.
- Ujenzi wa Jengo la Reinsurance Plaza ulianza mwaka wa 1978 na kufunguliwa mwaka wa 1982.
- Kuunganishwa kama kampuni ya umma iliyo na dhima kidogo mwaka wa 1997.
- Mwanamke mwenyekiti wa 1 aligonga kengele katika eneo la Ubadilishaji wa usalama Nairobi wakati wa Utoleaji wa Kwanza wa Umma mwaka wa 2007.
- Ukadiriaji wa kwanza na AM Best mwaka wa 2005.
- Jumla ya ukuaji wa Malipo Yaliyoandikwa kutoka shilingi za Kenya bilioni 3.6 mnamo 2008 hadi shilingi za Kenya bilioni 18.54 mwaka wa 2020.
- Tuliweka ofisi yetu ya ukanda katika Abidjan, Kodivaa mwaka wa 2010, Lusaka, Zambia mwaka wa 2015 na Kampala, Uganda mwaka wa 2019.
- Tulizindua mpango wa kwanza na wa kutoa tuzo la Niko Fiti CSR mwaka wa 2011.
- Tuliweka chapa mpya iliyo na mwonekano mpya wa shirika baada ya miaka 42 mwaka wa 2012.
- Tulizindua dirisha la Retakaful mwaka wa 2012.
- Lilithibitishwa kwenye Viwango viwili (2) vya ISO vya Ulimwenguni; ISO 9001:2015 (QMS) na ISO 27001:2013 (ISMS)

Maangazio haya machache lakini muhimu yamechangia ukuaji na uthabiti wa Shirika katika miaka 50 iliyopita na yametulia moyo kuendelea kujenga kampuni ili kuhakikisha idadi ya kubwa zaidi ya thamani ya wamiliki hisa na kuweka salama siku za baadaye za Shirika. Tunashukuru kwa mchango na msaada kama wamiliki hisa na washikadau wetu wengine kwa ukuaji wa Shirika.

Shirika lilithamini washikadau wake kuhusu mafanikio ambayo limefanya katika safari ya miaka 50 dhidi ya kutoa huduma bora ya bima kwa makampuni makubwa katika masoko yake yaliyochaguliwa kupitia kampeni kali ya vyombo vya habari mwaka wa 2020. Hii ilifanikishwa kupitia njia na majukwaa ya vyombo vya habari ili kuhakikisha kuwa washikadau mbalimbali na wamiliki wa hisa wanafahamu sherehe hizo. Mawasiliano haya yalikuwa katika njia ya redio, televisheni, magazeti, mabongo na njia za kidijitali.

MATAYARISHO YA COVID-19 - UWEZESHaji WA MPANGO WA KUENDELEA KWA BIASHARA

Kuanzia mwanzo wa janga la Covid-19, usalama na ustawi wa jumla wa wafanyakazi na familia zao, wakodishaji nyumba, washirika wa biashara, wawekezaji, wateja, na washikadau wengine wote ulikuwa na umuhimu mkubwa kwa Shirika. Pamoja na miongozo na maelekezo yaliyotolewa na Serikali, Shirika lilichukua hatua za tahadhari ili kuhakikisha kuwa biashara inaendelea kwa msambao wa chini zaidi wa virusi. Hii inajumuisha japo haina kikomo kwa;

1. Kutoa vieuzi vilivyo na pombe katika maeneo ya pamoja katika ofisi zetu na hali kadhalika kuwepo kwa sabuni na maji yanayotiririka.
2. Wafanyakazi waliwekwa kwenye ratiba za kazi za zamu baina ya kufanya kazi nyumbani na ofisini. Tulikuwa na 50% ya wafanyakazi wakifanya kazi kwenye ofisi huku 50% nyingine ilikuwa inafanya kazi nyumbani. Hii ilikuwa jitihada ya kupunguza watu ofisini ili kupunguza zaidi msambao wa virusi.
3. Kwa kufuata mwelekeo wa serikali wa kudumisha umbali kati ya watu tulifanya mipango muhimu ya kutumia mikutano ya mtandaoni na washikadau wetu wote ili kupunguza mtagusano halisi katika maingiliano yetu.
4. Mawasiliano ya mara kwa mara kwa wafanyakazi kuhusu afya na usalama yalidumishwa kutoka kwa ofisi ya Mkurugenzi Mkuu kwa kutumia njia tofauti za mawasiliano.
5. Tulitekeleza hatua nyingine za afya na usalama ili kumaliza msambao wa virusi vya COVID-19 zilizojumuisha japo hazina kikomo kwa; kusimamishwa kwa aina zote za usafiri, kusimamishwa kwa utoaji wa diski za maegesho, kuruhusu karantini ya kibinafsi ikiwa muhimu, utoaji wa vitamvua vya uso, kutekeleza kueua maeneo na utoaji wa vipimajoto ili kurekodi halijoto za wafanyakazi na watu wanaoingia kwenye majengo.

UWEKEZAJI KATIKA TEKNOLOJIA

Pindi tu janga la COVID-19 lilipoanza mnamo Machi 2020, Serikali ya Kenya ilitoa ushauri ikihimiza mashirika na biashara kuruhusu panapowezekana wafanyakazi kufanya kazi nyumbani na pasipowezekana kuhakikisha kuwa mahitaji ya kukaa mbali na wengine yalifuatwa.

Biashara nyingi zilifuata ijapokuwa kulikuwa na kusitasita kwa sababu ya ukosefu wa jumla wa maandalizi kwa njia zote. Sera ya kufanya kazi nyumbani ilitumika nchini huku makampuni mengi yakishinda upooza wa awali wa mpito wa wafanyakazi wao kufanya kazi nyumbani.

Mpito wa mfululizo wa kufanya kazi nyumbani ulihitaji makampuni kupatia wafanyakazi wao zana za kufanya kazi wakiwa mbali zikiwa ni pamoja na ushirikiano, mkutano wa video, zana za usimamizi wa utendaji sawa na programu ya ufikiaji wa mbali wa mifumo ya kampuni kutoka nyumbani.

Asante kwa matumizi ya teknolojia, Shirika liliweza kuwezesha kwa haraka Mpango wake wa Kuendeleza Biashara ili kuzoea usumbufu wa janga la virusi vya korona. Miongoni mwa vitu vingine, wafanyakazi waliweza kufanya kazi mbali na ofisi kwa mfululizo. Tuliamisha mfumo wa barua pepe za Shirika kwenda kwa suluhisho la wingu la Microsoft Office365 ambapo wafanyakazi wanaweza kufikia barua pepe zao kutoka kwa vipatakilishi, na simu za mkononi. Tulizindua VPN ikijumuisha usanikishaji wa simu ya mbali kupitia vipatakilishi. Mikutano ya kimtandao ikawa ndio desturi mpya katika kuendelea na kutosimamishwa kwa biashara ya Shirika na baada ya kuanza kwa janga tandavu la Covid-19.

USHIRIKISHWAJI WA WAFANYIKAZI

Kama Shirika, tuligundua kuwa malengo yetu ya biashara hayawezi kutimizwa bila msaada wa kikosi-kazi lililojitolea, kililoridhika na kilicho na utiifu. Tuligundua kuwa ni muhimu kwa wafanyakazi wetu kufahamu kikamilifu malengo ya shirika letu, tunacholenga kufanikisha na pahali tunataka kuwa katika siku za baadaye katika kila eneo la uendeshaji wetu.

Hadi mwisho huu, tunaendelea kuwekeza zaidi katika wafanyakazi wetu kupitia usimamizi wa utendaji, mpango wa urithi n mipango ya maendeleo. Tunaendelea kuajiri wafanyakazi waliohitimu kukiwa na haja ili kuleta mitazamo mipya kwenye jinsi ya kutimiza malengo yetu ya shirika.

MAJUKUMU YA SHIRIKA KWA JAMII

Mojawapo ya itikadi msingi ni 'Uraia Mwema wa Shirika'. Chini ya itikadi hii msingi tunatoa ahadi kuwa tutaendelea kufahamu maisha yetu na riziki za watu katika jamii tunamofanyia shughuli na tutashiriki katika miradi inayotoa msaada wa kihisia na kifedha katika kuonyesha kujitolea kwetu katika wajibu wetu kwa jamii. Kwa sababu ya janga la COVID-19, Shirika halikufanya shughuli halisi za kampeni ya Niko Fiti - Ability Beyond Disability kwa sababu ya vikwazo vya Serikali kupitia wizara ya afya kuhusu kukaa mbali na wengine na kupiga marufuku mikutano ya watu.

Hata hivyo, Shirika lilifanya athari kubwa kupitia mchango wake kwa Fedha za Dharura ya COVID-19. Kwa mujibu wa Shirika la Afya Duniani, ulimwengu ulikuwa unakumbana na upungufu wa vifaa vya kujikinga na kuhimiza nchi na viwanda kutafuta nafasi za utengenezaji katika nchi zao. Kenya ilikuwa inazalisha barakoa za uso, vieuzi, viuaviini, na vifaa vingine kwa mujibu wa nyenzo ya kinga huku upungufu wa vifaa vya kibinafsi vya kujikinga ulikuwa ukiendelea.

Ni kwa kujali hii ambayo Shirika liliamua kusaidia mshikadau wake muhimu, Serikali ya Kenya katika vita dhidi ya janga la kwa kuchangia Ksh.40,000,000. Hatua hii, Shirika liliamini, kuwa ilisaidia fedha za mwitikio wa dharura katika juhudi zake za kukabiliana na msambao wa ugonjwa. Mchango ulifuatana na juhudi za serikali yetu za kupigana na janga hili hatari kuwa misururu ya makampuni ya ndani na watu binafsi pia walichangia dhidi yake.

MUSTAKABALI MWEMA

Janga la COVID-19 linaendelea kuathiri jamii na biashara katika ulimwengu. Mwanzo wa juhudi za chanjo huleta matumaini kuwa hali hii itakuwa bora hivi karibuni.

Shirika litaendelea kutekeleza mpango wake wa kimkakati wa 2017-2021 kwa mtazamo wa kubadilisha mahitaji ya soko kupitia ukaguzi wa kila mwaka uliorodheshwa katika mipango ya biashara ya kila mwaka. Hii itahakikisha kuwa tumesalia kulenga mafanikio ya malengo ya kimkakati iliyowekwa ambapo ukuaji endelevu wa haraka wa kifedha, kudumisha mifumo na michakato inayoshughulikia mahitaji ya biashara na mapendeleo ya washikadau, kukuza na kufanya kuwa anuwai sifa bora kwa ajili ya uendelevu wa biashara, kudumisha mipango ya usimamizi wa hatari na kuendeleza rasilimali za binadamu na utamaduni ili kulingana na mahitaji ya utendakazi wa Shirika.

Uchumi unatazamiwa kuanza kupata nafuu polepole. Ukuaji wa jumla wa bidhaa ya ndani unakadiriwa kukua ndani ya masafa ya 3.9% - 4.1% nchini Kenya (inakadiriwa na Benki ya Dunia na Ofisi ya Takwimu ya Kitaifa ya Kenya). Vipengele muhimu ambavyo vitaauuni ukuaji uliotajwa vinajumuisha:

- (i) Kuimarika kwa biashara: Upataji nafuu katika mazingira ya biashara inarekodiwa. Huku chanjo zikisambazwa kote nchini, tunatarajia kuwa kuondoa polepole vikwazo vya usafiri ulimwenguni kutapunguza usumbufu wa mnyororo wa usambazaji uliotokea kote ulimwenguni na kusaidia kuboresha mahitaji ya mteja,
- (ii) Ufkiwaji wa mkopo nafuu: Ukuaji wa mkopo wa sekta ya kibinafsi umesalia imara hata wakati wa janga kufikia karibu 7.7%. Kulingana na data kutoka kwa kamati ya sera ya uchumishaji Januari 2021, ukuaji imara ulichunguzwa katika sekta za utengenezaji, mauzo, usafiri na mawasiliano sawa na uuzaji wa nyumba ambapo mkopo ulikua kwa 22.7%, 18.7%, 14.5% na 12.8%, mtawalia. Kwa kuwa wasiwasi kuu ni ubora wa mkopo, na upataji nafuu kwa katika mazingira ya biashara unaotarajiwa, tunaweza kuona maendeleo ya polepole katika ukuaji katika sekta ya kibinafsi.
- (iii) Ukuaji imara wa sekta ya kilimo: Hii inafuata hali ya anga nzuri iliyokuwa katika miezi mitatu ya mwisho mwaka wa 2020 na kufunguliwa tena kwa uchumi wa baadhi ya washirika wakuu wa kufanya biashara na Kenya. Sekta ya kilimo inatarajiwa kusaidia ukuaji bila kujali matarajio ya ushambulizi wa nzige ambapo kumekuwa na ripoti za nzige ambao bado hawajakomaa katika maeneo ya nchi yaliyo na ukame.

Tunatarajia shinikizo linaloendelea katika sehemu ya maisha wakati wa mwaka wa kifedha wa 2021 kwa sababu ya watu kuachishwa kazi ambayo hatimaye imeathiri kwa njia hasi malipo katika sekta hii. Kwenye sehemu isiyo ya maisha, tunatarajia kurejea kwa wastani wa sekta muhimu za uchumi na hii italeti shinikizo kwa kiasi cha malipo yanayozalishwa. Shirika limesawazisha malengo ya Mpango wa Biashara wa 2021 kwa kuzingatia hii katika kuunda matarajio.

HITIMISHO

Katika kuhitimisha, nachukua nafasi hii kuonyesha kwa uaminifu shukrani yangu kwa bodi ya wakurugenzi kwa ushauri na mwongozo wenye hekima. Nashukuru usimamizi wa Kenya Re kwa juhudi zao dhidi ya kufanikisha malengo ya shirika hili. Nashukuru pakubwa msaada unaoendelea wa washikadau wetu ambao usingekuwa hatungefanikisha tulichofanya mwaka wa 2020. Nashukuru washikadau wetu kwa uaminifu na imani waliyonayo kwetu katika kupata na kudumisha dau yao katika shirika hili.

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

SUSTAINABILITY REPORT

Sustainability reporting is considered as divulgence and communication of non-financial aspects of a business. These are elements that touch on the environmental, social and governance issues and the company's goals towards them. It combines elements of integrated reporting; financial and non-financial areas. The Corporation has in place a sustainability policy that espouses these areas vis a vis our stakeholder interests.

Sustainability reporting is essential to the Corporation as it helps us understand, measure and communicate our economic, environmental, social and governance (ESG) performance, and then set goals, and manage change more effectively. This report is the key platform for communicating sustainability performance and impacts. It captures a balanced and holistic approach of the Corporation's outlook from all spheres and touch points.

This report has ensured that we consider the impacts of sustainability issues and how they play an essential role in decision making process. It has also considered the value of stakeholders in assisting the Corporation identify risks and opportunities that affect the business. This partnership has strengthened the relationship and built trust across the entire stakeholder fabric.

Sustainability Focal Points

Our sustainability is premised on our future growth which is aligned to our strategic objectives. With our stakeholders interests at the center, we are aware that our desire for growth is in line with their hopes of a flourishing future.

Our aim is to create value for our stakeholders and we strive to meet and exceed their expectations by channeling our efforts in the following ways:

1. Economic

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

As a listed player at the Nairobi Securities Exchange (NSE) with shareholders such as the Government of Kenya, individual & corporate shareholders we ensure timely payment of dividends to all. This is done not only in a bid to meet our financial obligations but with a long-term view in mind of spurring economic growth coupled by enhanced investor/shareholder confidence.

2. Social

One of our six core values is 'Good Corporate Citizenship' where we make the promise that we will remain conscious of the lives and livelihoods of the people in the communities we operate in, and will participate in projects that provide both emotional and financial support in demonstration of our commitment to social responsibility. Our Corporate Social Responsibility (CSR) efforts have been felt far and wide. We are guided by a Corporate Social Responsibility policy which is in place to inform proper planning and execution of sustainable Corporate Social Responsibility (CSR) initiatives.

Our flagship Corporate Social Responsibility (CSR) initiative – **Niko Fiti ability beyond disability CSR Campaign** has been successful since its inception in 2011. It has touched and transformed the lives of over 8,300 persons living with disability in all major cities and towns in Kenya namely Nairobi, Kisumu, Mombasa as well as towns such as Nairobi, Kisumu, Mombasa, Eldoret, Nakuru, Busia, Embu, Meru, Machakos, Kakamega, Kisii, Bungoma, Siaya amongst others. The objectives of the initiative is total eradication of the acute stigma associated with persons living with disability and their empowerment to be equal players in contributing towards nation-building activities. Niko Fiti has successfully managed to distribute mobility and assistive devices such as wheelchairs, tricycles, crutches, walking canes, prosthesis, urine bags, special seats, polio boots, yaya seats, AFO splints, KFO splints and other assorted orthopedic devices in all these visited areas. These distributions are done in public areas such as sub-county and referral hospitals as well as stadiums if the number of beneficiaries is too large. The initiative, since inception has always brought on board two strategic partners; one being a media partner carefully selected through an analysis of its reach effectiveness to the target stakeholders of this initiative whose primary role is to publicize all activities of the initiative in its mass media channels. The other partner is the Association for the Physically Disabled of Kenya (APDK) whose mandate entails identification, fabrication and fitting of the mobility and assistive devices to the persons living with disability. APDK has been the linkage partner ever since inception of the CSR initiative whilst media partners have been different over the years and whose selection is based on competitiveness to reach targeted stakeholders in the regions the CSR campaign targeted to visit.

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

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

Due to the covid-19 pandemic, the Corporation did not undertake the Niko Fiti -Ability Beyond Disability campaign activities because of the government regulations through the ministry of health of social distancing and the ban on social gatherings. However, the Corporation made a great impact through its donation to the Covid-19 Emergency Fund. According to World Health Organization (WHO), the globe was facing a shortage of personal protection equipment and urged countries and industries to look for manufacturing opportunities in their own countries. Locally, we were producing facemasks, sanitizers, disinfectants and other assorted equipment in line with protective material with the shortage of PPE kits being experienced.

It is with this in mind that the Corporation decided to support its major stakeholder, the Government of Kenya in its fight against the pandemic by donating Ksh.40,000,000. This, the Corporation believed, helped the emergency response fund in its efforts to curb the spread of the disease. The donation was in line with our government's fight against the deadly pandemic that a series of local companies and individuals also contributed towards.

Kenya Re remains very committed to its social development of the society because we are firm believers of the fact that when society flourishes, we equally flourish.

- Disability Access in buildings-

We have enhanced our disability mainstreaming by ensuring all our commercial properties accommodate persons living with disability. Our commercial properties have been modified to be disability friendly and allow for access for PWDs with minimal inconvenience. Some of the modifications done entail:

They have ramps to aid persons living with disability access all points of our buildings.

Our lifts have voice-capability to inform passengers of various stops on the building floors - this is custom-made precisely for persons with hearing disability.

Additionally, the buttons in our lifts are positioned in an accessible position to ensure persons living with disability may use them comfortably

Disability-friendly washrooms to accommodate Persons Living with Disability.

Stand-by evacuation-chairs during emergencies such as Fire.

3. Socio-Economic

- Tenders

Kenya Re awarded various tenders for special groups consisting of Women, Youth and People Living with Disability (PWDs). In addition, trainings were held for special groups in order to equip them with skills on how to successfully bid for tender opportunities with the Corporation. All tenders were published in the local daily newspapers, Corporation's website and the Public Procurement Information Portal (PIIP). Below is a summary of our Access to Government Procurement Opportunities (AGPO) in 2020:

PPRA REPORT 2020

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FORTH QUARTER
PWD	1,604,560.00	1,761,154.14	3,449,348	838,216.00
WOMEN	31,254,888.97	934,372.93	3,345,060.11	6,313,515.00
YOUTHS	5,057,021.00	2,095,272.63	640,650.83	3,794,891.43
TOTAL	37,916,469.97	4,790,799.7	7,435,058.94	10,946,622.43

Year 2020 total cost for special groups **Kshs. 61,088,951.04**

TOTAL COST YEAR 2020

PWD	7,653,278.14
WOMEN	41,847,837.01
YOUTHS	11,587,835.89

- Commercial Mortgages-

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

4. Environmental

Kenya Re as a corporate entity has risen to the occasion and is a key champion of environmental conservation through planting of trees annually. In true testament to this effort, the Corporation has 8,500 planted trees at Kibiko Secondary School in Ngong from the year 2013 which is a remarkable contribution to provision of oxygen, improving of air quality, climate amelioration, conserving water as well as preserving the soil. Due to the many trees planted in the school, the land was exhausted, and the Corporation identified Moi Girls School - Isinya as a second zone for tree-planting. The Corporation, last year, set out to planting 5,000 trees at the institution. Additionally, the Corporation is currently implementing a modern state of the art drip-irrigation project to support growth of the trees and future tree-planting initiatives at the school.

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

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

Proposed Lift modernization at Kenya Re Towers Upper Hill

This has made the energy consumption of the lifts more efficient, and we have modernized the look and operations of the lift.

Consultancy for proposed roof top tanks and underground water recirculation at Anniversary Towers Nairobi

The consultancy works was completed, and the Corporation is looking forward to getting a budget approved by The National Treasury to undertake the works.

5. Governance

- Governance structure

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

- Governance Audit

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

- **Delegation of Authority-**
The Board and Management execute their mandate in an environment of mutual trust and respect having regard to the principles of good governance. In this regard, the Board provides clear and distinct lines of responsibility and accountability and maintains effective channels of communication.
- **Separation of Powers-**
The Managing Director and the Board play separate and distinct roles but work together to achieve organizational goals. The Board is responsible for appointing the Managing Director through a competitive process. The Board together with the Managing Director select the management team and put in place a succession plan for both the Managing Director and management. The Managing Director is responsible for overseeing the execution of the Board's directions and policies to ensure that the Corporation meets its strategic goals.
- **Compliance to CMA guidelines-**
In compliance with the CMA Code of Corporate Governance, the following requirements were met within the reporting period:
 - i) An evaluation of the Board of Directors and Managing Director was carried out in the e-Board system using the State Corporations Advisory Commission's (SCAC) tool.
 - ii) A legal and compliance review of the Corporation was carried out during the year 2017.

6. Gender Parity

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

7. Ethics and Integrity

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

A TRUE VALUE APPROACH

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

Our Stakeholders:

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

Stakeholder Engagement:

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

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

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

Value Creation for our Customers:

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

- Our clients will be treated with courtesy and consideration and our staff will be helpful at all times.
- Customer questions and needs will be attended to promptly.
- We will exercise the utmost integrity in providing services to our clients.
- We will not disclose any information that may adversely affect our clients without their consent, except where we are under legal obligation to disclose.

Customer Appreciation through #CSWEEK2020

The Corporation is an active member of the Institute of Customer Experience (ICX) Kenya, which is the body that organizes the annual Customer Service Week in Kenya. The Corporation last year participated in the 2020 Annual Customer Service Week whose theme focused on the customer convenience. This has become a leading focus among numerous businesses globally. The goal was to focus on efficiency on all customer touch points.

Value Creation for Regulators

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

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

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

Value Creation for Shareholders:

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

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

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

Value Creation for Employees:

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

In 2020, with the onset of the Covid-19 pandemic and social distancing rules, our staff members were virtually trained in different fields of specialization like Reinsurance, Customer Service, Leadership, Risk & Management amongst others.

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

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

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

Whistle Blowing Policy:

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

Corporate Social Responsibility Policy:

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

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

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

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

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

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

Energy Policy:

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

In keeping with the corporate policy of continuous improvement, Kenya Re is committed to responsible energy management both as a social and commercial entity, thus will practice energy efficiency throughout its facilities wherever it is cost effective to do so.

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

The energy policy seeks to:

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

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

Risk Management Policy:

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

- I. Anti-Money Laundering Policy
- II. Capital Adequacy Policy
- III. Compliance Policy
- IV. Board Risk Committee Charter
- V. Business Continuity and Disaster Recovery Policy

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

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

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

Procurement Policy

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

Information technology policies

The Corporation has the following Information technology policies:

- I. Mobile devices Usage Policy for Directors
- II. Security Policy
- III. Privacy & Acceptable use policy
- IV. Access Control Policy
- V. Anti-virus Policy
- VI. Email Acceptable Policy
- VII. Mobile Devices Acceptable Use Policy (Staff)
- VIII. Firewall Policy
- IX. Internet Acceptable Use Policy
- X. Internet DMZ Equipment Policy
- XI. Servers Security Policy
- XII. Service Desk Policy
- XIII. ICT Resources Change Management & Control
- XIV. Back up Policy
- XV. Sensitive Data Protection Guideline
- XVI. Reporting An Incident Guideline and Form
- XVII. Approved pre-installed applications in Laptops
- XVIII. Schedule of ipad operating systems

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

Conflict of interest policy:

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

Insider Trading

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

Stakeholder interests in decision-making

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

Effective communications with stakeholders

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

Dispute resolution process to address internal and external disputes.

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

Transparency and disclosure:

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

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

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

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

a. **Board Charter**

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

b. **Whistle-Blowing Policy**

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

c. **Code of Conduct and Ethics**

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

Transparency and Disclosure:

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

a. **Compliance with laws and standards**

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

b. **Regulations and standards**

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

c. Ethical leadership

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

d. Conflict of interest

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

e. Governance Audit

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

KENYA REINSURANCE CORPORATION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors submit their report together with the audited financial statements for the year ended 31 December 2020.

1 INCORPORATION AND BACKGROUND INFORMATION

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

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

2 PRINCIPAL ACTIVITIES

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

3 RESULTS

GROUP	COMPANY			
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Profit before tax	3,983,592	4,176,194	3,750,291	4,041,808
Income tax expense	(1,040,670)	(209,815)	(954,113)	(180,842)
Profit for the year transferred to retained earnings	2,942,922	3,966,379	2,796,178	3,860,966

4 DIVIDENDS

The directors recommend the approval of a first and final dividend of KShs 0.20 (2019: KShs 0.10) per share totalling to KShs 560 million for the year ended 31 December 2020 (2019: KShs 280 million)

5 DIRECTORATE

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

6 BUSINESS REVIEW

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

Operational performance

Gross written premiums grew from KShs 17.521 billion in the year 2019 to KShs 18.536 billion in 2020. Net earned premiums grew from KShs 15.5 billion in 2019 to KShs 20.85 billion in 2020. Investment income grew from KShs 3.71 billion to KShs 3.79 billion. The profit before tax for the year was KShs 3.98 billion, which was a decrease of 5% compared to the profit before tax of KShs 4.17 billion for the year ended 31 December 2019.

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

KENYA REINSURANCE CORPORATION LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 BUSINESS REVIEW (continued)

Financial overview

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

Our investment portfolio grew to KShs 45.6 billion in 2020 up from KShs 43.8 billion in 2019. The asset base increased from KShs 50.3 billion in 2019 to KShs 53.2 billion in 2020, a 6% growth. The Shareholders funds increased from KShs 31.9 billion in 2019 to KShs 34.02 billion in 2020 which represented a growth of 6%.

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

Key performance indicators

	2015	2016	2017	2018	2019	2020
	KShs	KShs Mil-	KShs	KShs Mil-	KShs Mil-	KShs Mil-
	Millions	lions	Millions	lions	lions	lions
Gross premium	13,060	13,245	14,827	14,838	17,521	18,535
Net premiums written	12,016	12,687	13,680	14,206	15,530	20,850
Investment Income	3,041	3,079	3,165	3,386	3,715	3,792
Total assets	35,954	38,494	42,733	44,363	50,361	53,237
Shareholders' funds	21,933	24,133	27,205	28,373	31,951	34,397
Management Expenses	1,319	1,832	1,709	2,020	2,043	1,965

Principal risks and uncertainties facing the Corporation.

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

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

Delays in receiving outstanding reinsurance premiums continues to pose credit risk to the Group. This is mainly from outstanding retro recoveries as well as outstanding premium receivables from cedants and brokers. As at 31 December 2020, gross receivables stood at KShs 6.296 billion against provisions of KShs 2.98 billion as compared to 31 December 2019, where gross reinsurance receivables stood at KShs 5.37 billion against provisions of KShs 2.8 billion.

Underwriting risks mainly relate to the risk that underwriting costs may exceed the premiums generated from the underwriting activity. The Corporation's underwriting profit was KShs 2.074 billion in year 2020 from a loss of KShs 1.015 billion for year 2019. The Corporation's claim ratio stood at 64% in year 2020 down from 72 % registered in year 2019. Net Claims and policyholders benefits grew by 22% to KShs 13.5 billion in year 2020 from KShs 11.1 billion in 2019

KENYA REINSURANCE CORPORATION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2020

7 STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

8 SECRETARY

The Company's Secretary is Mr Charles Kariuki.

9 TERMS OF APPOINTMENT OF THE AUDITOR

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

Ernst & Young LLP were appointed by the Auditor General, to carry out the audit for the year ended 31 December 2020. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 9,549,240 has been charged to profit or loss in the year.

BY ORDER OF THE BOARD



Secretary

Nairobi

.....31st May.....2021

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT ON CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

Board of Directors

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

Board Meetings

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

Committees of the Board

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

Audit Committee

The membership of the Audit Committee is comprised as follows:

Michael O.Monari - Chairman

Felix Okatch

Eric Gumbo

Gitonga Mugambi

Thamuda Hassan

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

Review of financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.

Strengthen the effectiveness of the internal audit function.

Maintain oversight on internal control systems.

Increase the shareholders' confidence in the credibility and standing of the Company.

Review and make recommendations regarding the Company's budgets, financial plans and risk management.

Liaise with the external auditors.

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

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

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT ON CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

Risk and Compliance Committee

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

Felix Okatch - Chairman

Nasra Ibren

Eric Gumbo

Michael Monari

Jadiah Mwarania

The responsibilities of this Committee include:

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

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

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

Defining the scope of risk management work.

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

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

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

Human Resource and Nominations Committee

The membership of the Human Resource and Nominations Committee is comprised as follows:

Jennifer Karina - Chairman

Gitonga Mugambi

Peter Ole Nkuraiyia

Chris Huka - Alternate to CS, National Treasury

Thamuda Hassan

Jadiah Mwarania

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

The Committee held four (4) regular meetings and five (5) special meetings in the year under review.

Finance and Strategy Committee

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

Peter Ole Nkuraiyia - Chairman

Chris Huka - Alternate to CS, National Treasury

Jennifer Karina

Nasra Ibren

Jadiah Mwarania

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

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

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT ON CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

Risk Management and Internal Controls

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

Creating Shareholders' Value

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

Directors' Emoluments and Loans

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

Directors' interests as at 31 December 2020:

	Number of shares	Shareholding %
The National Treasury of Kenya	1,680,000,000	60
Jadhiah Mwarania	400,000	-
Chiboli Induli Shakaba	2,035,400	-
Jennifer Kabura Karina	223,556	-
Felix Okatch	400	-
	1,682,659,356	60

Major Shareholders as at 31 December 2020

Cabinet secretary to The National Treasury of Kenya	1,680,000,000	60
Investments & Mortgages Nominees Ltd A/C 028950	65,553,300	2.34
The Jubilee Insurance Company of Kenya Limited	55,986,864	2.00
Standard Chartered Kenya Nominees Ltd A/C KE000954	43,500,000	1.55
SSB Bene Universal Investment Gesellschaft FD 4942	36,500,000	1.30
Kestrel Capital Nominees Ltd a/c Krohne fund	31,592,000	1.13
Kenya Commercial Bank Nominees Limited A/C 915b	27,671,244	0.99
Kenya Commercial Bank Nominees Limited A/C 915a	27,187,772	0.97
Kerai, Harji Mavji; Mavji, Ramila Harji	27,101,000	0.97
Standard Chartered Nominees Non- resd. A/C KE10085	24,000,000	0.86
Others	780,704,092	27.88
	2,799,796,272	100

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT ON CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

The distribution of the Company's shareholding as at 31 December 2020 is as shown below:

Shares Range	Shareholders	Number of Shares	% Shareholding
1 – 500	37,340	7,155,137	0.26
501 - 1,000	2,522	2,031,394	0.07
1,001 - 5,000	51,034	104,030,908	3.72
5,001 - 10,000	7,335	48,847,736	1.74
10,001 – 50,000	4,072	83,122,511	2.97
50,001 - 100,000	546	38,236,597	1.37
100,001 - 500,000	445	94,762,363	3.38
500,001- 1,000,000	85	63,041,053	2.25
1,000,001-2,000,000,000	99	2,358,568,573	84.24
	103,478	2,799,796,272	100

The distribution of the shareholders based on their nationalities as at 31 December 2020 is as follows:

Nationality	Shareholders	Shares held	% Shareholding
Local Individual Investors	97,626	443,249,097	15.83
Local Institutional Investors	5,392	2,257,227,448	80.62
Foreign Investors	460	99,319,727	3.55
	103,478	2,799,796,272	100.00

Directors' interests and shareholding as at 31 December 2019:

	Number of shares	Shareholding %
The National Treasury of Kenya	1,680,000,000	60
Jadhiah Mwarania	400,000	-
Chiboli Induli Shakaba	1,139,800	-
Jennifer Kabura Karina	223,556	-
Maina Mukoma	6,724	-
David Kibet Kemei	4,252	-
Felix Okatch	400	-
	1,681,774,732	60

Major Shareholders as at 31 December 2019

The National Treasury of Kenya	1,680,000,000	60
Investments & Mortgages Nominees Ltd A/C 028950	65,411,600	2.34
SSB Bene Universal Investment Gesellschart FD 4942	48,000,000	1.71
Standard Chartered Kenya Nominees Ltd A/C KE22446	37,798,348	1.35
Standard Chartered Kenya Nominees Ltd A/C KE000954	31,501,600	1.13
Kestrel Capital Nominees Ltd A/C Krohne fund	30,592,000	1.09
Stanbic Nominees Ltd A/C NR 1031144	28,916,800	1.03
Kenya Commercial Bank Nominees Ltd A/C 915B	27,671,244	0.99
Kenya Commercial Bank Nominees Ltd A/C 915A	27,187,772	0.97
The Jubilee Insurance Company Ltd	26,656,600	0.95
Standard Chartered Nominees Non-Resd. A/C KE10085	24,000,000	0.86
Standard Chartered Nominees RESD A/C KE11443	22,636,619	0.81
Shah Mansukhal Khetshi Dharanshi Shah Vijayaben Mansukhal Khetshi shah	18,316,300	0.65

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT ON CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

Major Shareholders as at 31 December 2019 (continued)

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

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

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

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

Nationality	Shareholders	Shares held	% Shareholding
Local Individual Investors	97,000	382,085,449	13.65
Local Institutional Investors	5,419	2,212,153,341	79.01
Foreign Investors	471	205,557,482	7.34
	102,890	2,799,796,272	100.00



Chiboli Shakaba
Director

.....31st May.....2021



Michael O. Monari
Director

KENYA REINSURANCE CORPORATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

selecting suitable accounting policies and applying them consistently; and

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

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

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

Approved by the board of directors on31st May.. 2021 and signed on its behalf by:



Jadhah Mwarania
Principal Officer



Chiboli Shakaba
Director



Michael O. Monari
Director

KENYA REINSURANCE CORPORATION LIMITED

REPORT OF THE CONSULTING ACTUARY

FOR THE YEAR ENDED 31 DECEMBER 2020

I have conducted an actuarial valuation of the long-term business of Kenya Reinsurance Corporation Limited as at 31 December 2020.


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

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

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

Name of Actuary JAMES OLUBAYI

Qualification FELLOW OF THE INSTITUTE OF ACTUARIES

Signed 

..... 31st May 2021

KENYA REINSURANCE CORPORATION LIMITED

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

INFORMATION NOT SUBJECT TO AUDIT

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

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

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

Contract of service

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

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

Changes to directors' remuneration

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

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

During the Annual General Meeting held on 09 October 2020, the shareholders approved directors' remuneration for the year ended 31 December 2019 electronically.

At the Annual General Meeting to be held on 30th June 2021, approval will be sought from shareholders of this Directors' remuneration report for the financial year ended 31 December 2020.

KENYA REINSURANCE CORPORATION LIMITED

DIRECTORS' REMUNERATION REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

INFORMATION NOT SUBJECT TO AUDIT

The following tables show the remuneration for the Managing Director and CEO and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2020 together with the comparative figures for 2019.

YEAR ENDED 31 DECEMBER 2020

DIRECTOR	CATEGORY	GROSS PAYMENTS KShs	DIRECTOR FEES KShs	ALLOWANCES KShs	TOTAL KShs
Chiboli Shakaba	Chairman, Non-Executive	-	960,000	1,518,620	2,478,620
Jadiah Mwarania	Managing Director	36,689,938	-	-	36,689,938
David Kibet Kemei	Non -Executive	-	743,226	1,531,915	2,275,141
Michael O Monari	Non -Executive	-	216,774	363,120	579,894
Felix Okatch	Non -Executive	-	960,000	3,752,105	4,712,105
Jennifer Karina	Non -Executive	-	960,000	2,702,248	3,662,248
Maina Mukoma	Non -Executive	-	743,226	1,984,365	2,727,591
Anthony Muthama Munyao	Non -Executive	-	743,226	3,509,082	4,252,308
Nasra Ibrahim Ibren	Non -Executive	-	216,774	695,500	912,274
Peter Ole Nkuraiya	Non -Executive	-	216,774	765,718	982,492
Jasper Mugambi	Non -Executive	-	960,000	1,162,713	2,122,713
Thamuda Hassan	Non -Executive	-	960,000	966,490	1,926,490
Eric Gumbo	Non -Executive	-	960,000	515,000	1,475,000
Cabinet Secretary - The National Treasury	Non -Executive	-	960,000	-	960,000
TOTAL		36,689,938	9,600,000	19,466,876	65,756,814

KENYA REINSURANCE CORPORATION LIMITED

DIRECTORS' REMUNERATION REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

INFORMATION NOT SUBJECT TO AUDIT (continued)

YEAR ENDED 31 DECEMBER 2019

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

Approved by the board of directors on 31st May 2021 and signed on its behalf by:

BY ORDER OF THE BOARD



Secretary

Nairobi

..... 31st May 2021

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Kenya Reinsurance Corporation Limited set out on pages 20 to 93, which comprise the consolidated and company statements of financial position as at 31 December, 2020, and the statements of profit or loss and other comprehensive income, statements of cash flows and the statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Ernst and Young LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Reinsurance Corporation Limited as at 31 December, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Kenya Companies Act, 2015.

Basis for Opinion

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

Emphasis of Matter

1. Tax Assessment by Kenya Revenue Authority

As reported in the previous years, I draw attention to Note 43 of the financial statements which describes a contingent liability in relation to tax assessment by the Kenya Revenue Authority (KRA). The Corporation is involved in a tax claim dispute with KRA,

arising from KRA's demand for Kshs.1,272,488,000 relating to withholding tax on cedant acquisition costs and brokerage fees. The outcome of the contingent tax liability remains uncertain, even though discussions to resolve the contentious matter continues between the Corporation and KRA, with the assistance of professional advisors. No provision has been made for this contingent liability.

2. Investment Properties in Dispute

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

a) Land LR. No 27269 - Ngong Road

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

b) Land LR No.12236 Kiambu Road

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

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

The Corporation is the registered owner of land LR MN-1-9141 of approximately 17.3 hectares located at Shanzu Mombasa valued at Kshs.23,000,000. The Corporation is in dispute of the ownership of the land with Kenya Prison Service. As a result, the property is not being utilized to generate income and therefore not realizing the full value for money of the funds invested in the property.

3. Investment Property not in Use

As disclosed in Note 18 to the financial statements, the Corporation is the registered owner of land LR No.9042/222 within the precincts of Jomo Kenyatta International Airport (JKIA) valued at Kshs.720,000,000 as at 31 December, 2019. However, Management has disclosed that it has restricted access to the land as imposed by the Kenya Airports Authority (KAA) mainly due to security reasons. The Corporation is therefore, not realising the full potential of the investment.

My opinion is not modified in respect to these matters.

Key Audit Matters

No.	Key Audit Matter	How our Audit Addressed the Key Audit Matter
1.	Credit Risk and Impairment of Reinsurance Receivables Balances	
	<p>Impairment of receivables is a subjective matter area due to the significant judgment and assumptions applied by Management. The estimation of impaired receivables is made based on review of outstanding amounts at year-end.</p> <p>As disclosed in Note 2 to the consolidated and separate financial statements, judgement is applied in determining the appropriate parameters and assumptions used to calculate impairment of the receivables. An example, is the assumption of customers that are likely to default, the expected future cash flows from the customers and the timing of the cash flows.</p> <p>Due to the significance of the reinsurance receivables balances to the consolidated and separate financial statements, and the significant judgement involved in calculating impairment losses on the receivables, particularly regarding the estimation of the amount and timing of expected future cash collections, this was considered a key audit matter.</p> <p>We also considered there to be a risk that the disclosures in Notes 2 and 24 on impairment of receivables may not be complete.</p>	<p>Our audit procedures included the following:</p> <p>Testing and evaluation of key controls over the underwriting process, recording and ageing of outstanding reinsurance receivables, and monitoring of the receivables by the Group's credit control department.</p> <p>Evaluating the adequacy of the allowance for doubtful accounts, including the appropriateness of the methodology used and assumptions made to calculate the allowance.</p> <p>Testing, on a sample basis, whether the Group's assumptions on the expected future cash flows and timing of the cash flows were supported.</p> <p>Evaluating whether the disclosures made in the consolidated and separate financial statements reflect the Group's credit risk and impairment provision on the receivables.</p>
2.	Valuation of Reinsurance Contract Liabilities	
	<p>The valuation of the Group's reinsurance contracts is dependent on a number of subjective assumptions about future experience as disclosed in Notes 2, 33 and 34 to the consolidated and separate financial statements. Some of the economic and non-economic actuarial assumptions used in valuing insurance contracts are judgemental, in particular, persistency (the retention of policies over time), longevity (the expectation of how</p>	<p>Our audit procedures included the following:</p> <p>Testing, on a sample basis, the key controls around the processes for analysing the economic and non-economic assumptions used in the valuation of the reinsurance contract liabilities.</p>

No.	Key Audit Matter	How our Audit Addressed the Key Audit Matter
	<p>long an annuity policyholder will live and how that might change over time), and expenses (future expenses incurred to maintain existing policies to maturity). The Group uses external actuaries to value both the life and non-life reinsurance contract liabilities.</p> <p>This matter was considered significant to our audit because of the sensitivity of the valuation of the reinsurance contract liabilities to changes in the key assumptions.</p> <p>We also considered there to be a risk that the disclosures in Notes 2, 33 and 34 which are significant to the understanding of the Group's reinsurance contract liabilities, may not be complete.</p>	<p>Assessing the appropriateness of Management's liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our audit procedures on the liability adequacy testing included reviewing the assumptions adopted in the context of both the Group and industry experience and specific product features.</p> <p>Considering recent experience and the reasonableness of the judgements applied by Management on how future experience will evolve.</p> <p>Assessing the completeness of the disclosures regarding the reinsurance contract liabilities in the consolidated and separate financial statements.</p>
3.	Revenue Recognition - Premiums Income and Unearned Premium Reserves	
	<p>The Group's business involves underwriting policies with tenure that does not align with the reporting period. The Group has estimated unearned premium reserves as disclosed in Note 38 to the consolidated and separate financial statements using both the 8th and 24th method of the written premiums to defer premium income written but not earned during the reporting period. We considered this to be a key audit matter since the Group's financial results are significantly sensitive to changes in this assumption.</p> <p>We also considered there to be a risk that revenue was inappropriately reported to achieve desired financial results. We assessed that the opportunity to manipulate revenue creates a heightened risk in the area of recording premium income in the improper period by not observing proper cut off procedures.</p>	<p>Our audit approach included controls testing and substantive procedures covering, in particular:</p> <p>Testing, on a sample basis, key controls over the underwriting process.</p> <p>Performing an analysis of premium income and unearned premiums based on our industry knowledge and forming an expectation of revenue based on key performance indicators considering changes in the Group's business.</p> <p>Reviewing supporting documentation for premium income on a sample basis.</p> <p>Checking that adjustments to premium income after year-end were supported and processed in the correct period.</p> <p>Checking whether the assumptions used to determine the unearned premium reserves were supported.</p> <p>Assessing the adequacy of the Group's disclosures in respect of revenue.</p>

No.	Key Audit Matter	How our Audit Addressed the Key Audit Matter
4.	Valuation of Investment Property	
	<p>As at 31 December, 2020, the carrying amount of the Group's investment property was Kshs.12 Billion as disclosed in Note 18 to the consolidated and separate financial statements.</p> <p>The investment property is measured at fair value in accordance with International Accounting Standard (IAS) 40 Investment Property. The Group's policy is to revalue the investment property annually using an external valuer.</p> <p>Given that the fair value of investment property involves significant estimation and assumptions, such as comparative active market prices and adjustments for differences in the nature, location or condition of the property, and the importance of the disclosures in Notes 3(ii) and 18 relating to the assumptions used in the valuation, we considered this to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <p>Evaluating the objectivity and independence of the external valuer.</p> <p>Assessing whether the underlying assumptions applied in the determination of the fair value were supported in the context of the industry and nature of the investment property.</p> <p>Assessing whether the valuation methodologies and assumptions adopted in determining the fair values of the investment property were in accordance with IFRS.</p> <p>Evaluating whether the determined fair values were comparable to the market values for similar property in similar locations.</p> <p>Assessing the adequacy of the Group's disclosures in respect of the methodology and assumptions used in valuation.</p>

Other Information

The Directors are responsible for the other information, which comprises the Corporate Report, Report of the Directors, Statement of Directors' Responsibilities and Director's Remuneration Report as required by the Kenya Companies Act, 2015, Statement of Corporate Governance and the Report of the Consulting Actuary. The other information does not include the Corporation's financial statements and my audit report thereon.

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

In connection with my audit of the Corporation's financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Corporation's financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the

work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan to perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to liquidate the Corporation or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements

are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 220(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Corporation or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

31 May, 2021

REPUBLIC OF KENYA

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RIPOTI YA MKAGUZI MKUU WA KIFEDHA KUHUSU KENYA REINSURANCE CORPORATION LIMITED YA MWAKA ULIOMALIZIKIA TAREHE 31 DESEMBA 2020

RIPOTI YA TAARIFA ZA KIFEDHA

Maoni

Taarifa andamizi za kifedha za Kenya Reinsurance Corporation Limited zilizopo katika kurasa za 20 hadi 93, zilizo na taarifa za pamoja za kampuni za hali ya kifedha kufikia tarehe 31 Desemba, 2020, na taarifa za faida au hasara na mapato mengine kamilifu, taarifa za mitiririko ya pesa na taarifa za mabadiliko katika usawa ya mwaka uliomalizikia, na muhtasari wa sera muhimu za uhasibu na maelezo mengine ya ufafanuzi, yamekaguliwa kwa niaba yangu na Ernst and Young LLP, wakaguzi wa kifedha walioteliwa chini ya Sehemu ya 23 ya Sheria ya Ukaguzi wa Umma, 2015. Wakaguzi hao wameripoti kwangu ipasavyo matokeo ya ukaguzi wao na kwa msingi wa ripoti yao, nimeridhika kuwa maelezo na taarifa yote ambayo, kwa ubora wa maarifa na imani yangu ni muhimu kwa madhumuni ya ukaguzi huu yalipatikana.

Kwa maoni yangu, taarifa za kifedha ziliwasilisha kwa usawa, kwa vipengele vyote muhimu; nafasi ya kifedha ya Kenya Reinsurance Corporation Limited kufikia tarehe 31 Desemba, 2020, na utendaji wake wa kifedha na mitiririko yake ya pesa uliokamilika, kwa mujibu wa Viwango vya Kimataifa vya Ripoti za Kifedha (IFRS) na kufuata Sheria ya Makampuni ya Kenya, 2015

Msingi wa Maoni

Ukaguzi ulifanyika kwa mujibu wa Viwango vya Kimataifa vya Taasisi za Ukaguzi Mkuu (ISSAIs). Niko huru na Usimamizi wa Kenya Reinsurance Corporation Limited

kwa mujibu wa ISSAI 130 kuhusu Kanuni za Maadili. Nimetekeleza majukumu mengine ya kimaadili kwa mujibu wa ISSAI na kwa mujibu wa mahitaji mengine yanayotumika katika kufanya ukaguzi wa taarifa za kifedha nchini Kenya.

Naamini kuwa ushahidi wa ukaguzi niliopata umetosha na unafaa katika kutoa msingi wa maoni yangu.

Msisitizo wa Suala

1. Tathmini ya Kodi na Mamlaka ya Mapato ya Kenya

Kama ilivyoripotiwa katika miaka iliyopita, naangazia Kipengee cha 43 cha taarifa za kifedha kinachofafanua dhima isiyo ya hakika kuhusiana na tathmini ya kodi na

Mamlaka ya Mapato ya (KRA). Shirika hili lipo katika mgogoro wa dai la ushuru na KRA, -

Ripoti ya Mkaguzi Mkuu ya Kenya Reinsurance Corporation Limited ya mwaka ulioisha tarehe 31 Desemba 2020

unaotokana na KRA kudai Kshs.1,272,488,000 inayohusiana na ushuru wa uzuio wa gharama za upatikanaji wa hasara na ada za uwakala. Matokeo ya dhima isiyo ya hakika ya ushuru yamesalia kuwa hayajulikani, hata kama majadiliano ya kutatua suala hilo yanaendelea kati ya Shirika na KRA, kwa usaidizi wa washauri wataalamu. Hakuna masharti yaliotolewa kwa dhima hii isiyo ya hakika.

2. Mali ya Uwekezaji Iliyo na Mgogoro

Kama ilivyowekwa wazi katika Kipengee cha 42 kwenye taarifa za kifedha, Shirika ni mmiliki aliyesajiliwa wa mali ifuatayo ambayo kwa sasa ina mgogoro na ipo chini ya kesi zinazoendelea mahakamani.

(a) Ardhi LR. No 27269 - Ngong Road

Shirika liliwekeza Kshs.350,000,000 katika L.R. No. 27269 yenye ukubwa wa karibu hekta 59.87 katika Ngong Road ambayo kwa sasa ina mgogoro kati ya Shirika na Huduma ya Misiti ya Kenya. Mgogoro wa umiliki wa LR No. 27269 unasikizwa kwenye Tume ya Kitaifa ya Ardhi. Ijapokuwa Shirika limepata uthibitisho kutoka kwa Mkurugenzi wa Soroveya kwamba ardhi ya Shirika ni tofauti na ile ya Huduma ya Msitu Kenya, suala hilo bado linasalia kuwa lisilotatuliwa hadi Tume ya Kitaifa ya Ardhi itakapoingilia kati na kutoa hukumu yake. Shirika huenda halipati manufaa yanayotokana na umiliki wa ardhi hiyo na Usimamizi huenda haupo katika nafasi ya kufanya mipango ya uwekezaji wa muda mrefu hadi suala hilo litatatuliwa.

(b) Ardhi LR No.12236 Kiambu Road

Shirika ndio mmiliki aliyesajiliwa wa ardhi nambari LR No.12236 yenye ukubwa wa karibu hekta 99.5813 katika barabara ya Kiambu Road yenye thamani ya Kshs.563,077,000. Shirika lipo katika mgogoro na mmoja wa Mkurugenzi wa mwuzaji wa ardhi hiyo na kesi ipo mahakamani. Kwa hivyo, Shirika halipati thamani kamili ya pesa ya fedha zilizowekezwa katika mali hiyo.

(c) Ardhi LR MN-1-9141- Shanzu Mombasa

Shirika ndio mmiliki aliyesajiliwa wa ardhi nambari LR MN-1-9141 yenye ukubwa wa karibu hekta 17.3 inayopatikana katika Shanzu Mombasa na ina thamani ya Kshs.23,000,000. Shirika lipo katika mgogoro wa umiliki wa ardhi hii na Huduma ya Magereza ya Kenya, kwa sababu hiyo, mali hii haitumiki kuzalisha mapato na kwa hivyo, halipati thamani kamili ya pesa ya fedha zilizowekezwa katika mali hiyo.

3. Mali ya Uwekezaji Isiyotumika

Kama ilivyowekwa wazi katika Kipengee cha 18 kwenye taarifa za kifedha, Shirika ni mmiliki aliyesajiliwa wa ardhi LR No.9042/222 ndani ya mipaka ya Uwanja wa Ndege wa Kimataifa wa Jomo Kenyatta (JKIA) yenye thamani ya Kshs.720,000,000 kufikia tarehe 31 Desemba 2019. Hata hivyo, Usimamizi umeweka wazi kuwa umezuia ufikiaji wa ardhi hiyo ilivyowekwa na Mamlaka ya Viwanja vya Ndege Kenya (KAA) kwa sababu ya sababu za usalama. Shirika kwa hivyo, halipati uwezo kamili wa uwekezaji huo.

Maoni yangu hayajarekebishwa kwa kufuata masuala haya.

Ripoti ya Mkaguzi Mkuu ya Kenya Reinsurance Corporation Limited ya mwaka ulioisha tarehe 31 Desemba 2020

Masuala Muhimu ya Ukaguzi

Na.	Suala Muhimu la Ukaguzi	Jinsi Ukaguzi wetu Ulivyoshughulikia Suala Muhimu la Ukaguzi
1.	<p>Hatari ya Mkopo na Uharibifu wa Masalio Yanayoweza Kupokelewa ya Bima ya Makampuni</p> <p>Uharibifu wa mambo yanayoweza kupokelewa ni sehemu ya suala hili kwa sababu ya hukumu muhimu na udhanifu uliotumika na Usimamizi. Ukadiriaji wa mambo yanayoweza kupokelewa yaliyoharibiwa unafanyika kutegemea ukaguzi wa kiasi kilichopo mwishoni mwa mwaka.</p> <p>Kama ilivyowekwa wazi katika Kipengee cha 2 kwenye taarifa za kifedha zilizowekwa pamoja na tofauti, hukumu unawekwa katika kuamua vigezo muhimu na udhanifu uliotumika kukadiria uharibifu wa mambo yanayoweza kupokelewa. Mfano, ni udhanifu wa wateja ambao huenda wakakosa kulipa, mitiririko ya pesa ya baadaye inayotarajiwa kutoka kwa wateja hao na wakati wa mitiririko hiyo ya pesa.</p> <p>Kwa sababu ya umuhimu wa masalio ya mambo yanayoweza kupokelewa ya bima kwa taarifa za kifedha za pamoja na zilizo tofauti, na hukumu muhimu uliohusika katika kupiga hesabu ya hasara za uharibifu kwenye mambo yanayoweza kupokelewa, hasa kuhusiana na ukadiriaji wa kiasi hicho na wakati wa mikusanyiko ya pesa ya baadaye inayotarajiwa, hii ilizingatiwa kuwa suala muhimu la ukaguzi.</p> <p>Tulizingatia pia kuwepo kwa hatari kuwa ufichuzi katika Vipengee vya 2 na 24 kuhusu uharibifu wa mambo yanayoweza kupokelewa huenda sio kamili.</p>	<p>Mikakati yetu ya ukaguzi ilijumuisha yafuatayo:</p> <p>Kipimo na utathmini wa udhibiti muhimu kuhusu mchakato wa kukadiria kuwa watu watakosa kulipa mkopo, kurekodi na kuwekea muda mambo yanayoweza kupokelewa ya bima ambayo hayajalipwa na idara ya udhibiti ya mkopo katika Kikundi.</p> <p>Kutathmini utoshelevu wa nafasi ya akaunti zilizo na shaka, ikijumuisha ufaafu wa mbinu iliyotumika na udhanifu uliofanywa katika kupiga hesabu ya nafasi hiyo.</p> <p>Kupima, kwa msingi wa sampuli, kama udhanifu wa Kikundi kuhusu mitiririko ya pesa za baadaye zinazotarajiwa na wakati wa mitiririko hiyo ya pesa.</p> <p>Kutathmini kama ufichuzi uliofanyika katika taarifa za kifedha za pamoja na tofauti unaakisi hatari ya mkopo ya Kikundi na utoaji wa uharibifu kwa mambo yanayoweza kupokelewa.</p>
2.	<p>Utathmini wa Dhima za Mkataba wa Bima ya Makampuni</p> <p>Utathmini wa mikataba ya bima kwa makampuni ya Kikundi unategemea idadi ya udhanifu kuhusu uzoefu wa baadaye ilivyowekwa wazi katika Vipengee vya 2, 33 na 34 kwenye taarifa za kifedha za pamoja na tofauti. Baadhi ya udhanifu wa kiuchumi na usio wa kiuchumi uliotumika katika kujua thamani ya mikataba ya bima unahukumu, hasa,</p> <p>kudumu (uchukuaji wa sera baada ya muda), muda wa kukaa (matarajio ya</p>	<p>Mikakati yetu ya ukaguzi inajumuisha yafuatayo:</p> <p>Kipimo, kwa msingi wa sampuli, vidhibiti muhimu kuhusu mchakato wa kuchanganua udhanifu wa kiuchumi na usio wa kiuchumi uliotumika katika utathmini wa dhima ya mkataba wa bima ya makampuni.</p>

Ripoti ya Mkaguzi Mkuu ya Kenya Reinsurance Corporation Limited ya mwaka ulioisha tarehe 31 Desemba 2020

3Ripoti ya Mkaguzi Mkuu ya Kenya Reinsurance Corporation Limited ya mwaka ulioisha tarehe 31 Desemba 2020

Maelezo Mengine

Wakurugenzi wanawajibikia maelezo, yanayojumuisha Ripoti ya Shirika, Ripoti ya Wakurugenzi, Taarifa ya Majukumu ya Wakurugenzi na Ripoti ya Malipo ya Wakurugenzi inavyohitajika na Sheria ya Makampuni ya Kenya, 2015, Taarifa ya Utawala wa Shirika na Ripoti ya Mkagua Thamani Anayetoa Ushauri.. Maelezo mengine hayajumuishi taarifa za kifedha za Shirika na ripoti yangu ya ukaguzi baadaye.

Maoni yangu kuhusu taarifa za kifedha za Shirika hayasimamii maelezo mengine na sitoi njia yoyote ya hitimisho ya uhakikisho baadaye.

Kwa muunganisho na ukaguzi wangu wa taarifa za kifedha za Shirika, jukumu langu ni kusoma maelezo mengine na, kwa kufanya hivyo, kuzingatia kama maelezo hayo mengine hayaendani na taarifa za kifedha za Shirika au maarifa yangu yaliyopatikana kwenye ukaguzi, au vinginevyo inaonekana kutajwa visivyo. Ikiwa, kutegemea

Ripoti ya Mkaguzi Mkuu ya Kenya Reinsurance Corporation Limited ya mwaka ulioisha tarehe 31 Desemba 2020

kazi ambayo nimefanya, nahitimisha kuwa kuna taarifa isiyo ya mali ya maelezo mengine, nahitajika kuripoti hiyo. Sina chochote cha kuripoti kwa wajibu huu.

RIPOTI YA UHALALI NA UFAAFU KATIKA MATUMIZI YA RASILIMALI ZA UMMA

Hitimisho

Inavyohitajika na Ibara ya 229(6) ya Katiba, kutegemea mikakati ya ukaguzi uliofanyika, nathibitisha kuwa, hakuna kitu nilichoona cha kunifanya kuamini kuwa rasilimali za umma hazijatumiwa kisheria na kwa njia isiyofaa.

Msingi wa Hitimisho

Ukaguzi ulifanyika kwa mujibu wa ISSAI 4000. Kiwango kinahitaji kuwa nifuate mahitaji ya kimaadili na mpango kufanya ukaguzi ili kupata uhakikisho kuhusu kama shughuli, miamala na taarifa ya kifedha iliyoakisiwa katika taarifa za kifedha zinafuata, katika vigezo vyote muhimu, na mamlaka yanayoyatawala. Naamini kuwa ushahidi wa ukaguzi niliopata umetosha na unafaa katika kutoa msingi wa hitimisho yangu.

RIPOTI KUHUSU UFAAFU WA UDHIBITI WA NDANI, USIMAMIZI WA HATARI NA UTAWALA WA JUMLA

Hitimisho

Inavyohitajika na Kitengo cha 7(1) cha Sheria ya Ukaguzi wa Umma, 2015 kutegemea mikakati ya ukaguzi uliofanyika, nathibitisha kuwa, hakuna kitu nilichoona cha kunifanya kuamini kuwa udhibiti wa ndani, usimamizi wa hatari na utawala wa jumla haukuwa unafaa.

Msingi wa Hitimisho

Ukaguzi ulifanyika kwa mujibu wa ISSAI 2315 na ISSAI 2330. Viwango vinahitaji kuwa nipange na kutekeleza ukaguzi wa kupata uhakikisho kuhusu kama mchakato wa ufaafu na mifumo ya udhibiti wa ndani, usimamizi wa hatari na utawala wa jumla ulikuwa unafanya kazi vizuri, kwa viwango vyovyote muhimu. Naamini kuwa ushahidi wa ukaguzi niliopata umetosha na unafaa katika kutoa msingi wa hitimisho yangu.



Nancy Gathungu

MKAGUZI MKUU WA KIFEDHA

Nairobi

31 Mei, 2021

KENYA REINSURANCE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Short term ¹	Long term ¹	Total	Total
		business	Business	2020	2019
		2020	2020	2020	2019
		KShs '000	KShs '000	KShs '000	KShs '000
INCOME					
Gross premiums written	5	16,671,121	1,864,099	18,535,220	17,521,343
Less: change in unearned premiums	38	2,984,891	-	2,984,891	(913,270)
Less: retrocession premiums	6	(603,420)	(66,425)	(669,845)	(1,077,455)
NET EARNED PREMIUMS	6	19,052,592	1,797,674	20,850,266	15,530,618
Investment income	7	2,751,300	1,040,616	3,791,916	3,714,696
Commissions recovered	10(a)	33,975	17,338	51,313	54,742
Fair value gains on revaluation of investment properties	18	(31,276)	(5,127)	(36,403)	2,176,592
Other income	8	53,351	-	53,351	52,969
Share of associate profits	19	292,844	-	292,844	587,444
TOTAL INCOME		22,152,786	2,850,501	25,003,287	22,117,061
CLAIMS AND POLICY HOLDERS BENEFITS EXPENSES					
Gross claims incurred and policy holder benefits expenses	9	(12,648,270)	(1,285,112)	(13,933,382)	(11,447,721)
Less: Re-insurers share of claims and policy holder benefits	9	385,703	31,101	416,804	385,781
NET CLAIMS AND BENEFITS		(12,262,567)	(1,254,011)	(13,516,578)	(11,061,940)
Cedant acquisition costs	10(a)	(4,784,076)	(526,420)	(5,310,496)	(4,092,047)
Operating and other expenses	10(b)	(1,767,206)	(197,602)	(1,964,808)	(2,043,452)
Provision for doubtful receivables	24	(227,813)	-	(227,813)	(743,428)
TOTAL CLAIMS, BENEFITS, AND OTHER EXPENSES		(19,041,662)	(1,978,033)	(21,019,695)	(17,940,867)
PROFIT BEFORE TAX		3,111,124	872,468	3,983,592	4,176,194
INCOME TAX EXPENSE	11(a)	(801,489)	(239,181)	(1,040,670)	(209,815)
PROFIT FOR THE YEAR		2,309,635	633,287	2,942,922	3,966,379
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Share of gain on property revaluation of associate	19	2,938	-	2,938	1,812
Remeasurement losses on defined benefit plans, net of tax	21	(152,013)	-	(152,013)	(60,119)
Items that may be reclassified subsequently to profit or loss:					
Reclassification adjustment relating to available-for-sale financial assets disposed in the year	7	-	-	-	(137,457)
Net losses on revaluation of available-for-sale quoted equity instruments	27	(396,063)	-	(396,063)	(53,952)
Net gains on revaluation of available-for-sale government securities	28	5,444	-	5,444	69,316
Translation reserve		27,610	-	27,610	
Share of movement in associate reserves:					
- currency translation	19	373,905	-	373,905	7,415
- fair value reserve	19	(78,163)	-	(78,163)	99,275
TOTAL OTHER COMPREHENSIVE INCOME		(216,342)	-	(216,342)	(73,710)
TOTAL COMPREHENSIVE INCOME		2,093,293	633,287	2,726,580	3,892,669
EARNINGS PER SHARE - basic and diluted	12			1.05	2.55

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

KENYA REINSURANCE CORPORATION LIMITED

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Short term ²	Long term ²	Total	Total
		Business 2020 KShs '000	Business 2020 KShs '000	2020 KShs '000	2019 KShs '000
INCOME					
Gross premiums written	5	15,197,743	1,847,058	17,044,801	16,373,482
Less: change in unearned premiums	38	2,816,807	-	2,816,807	(836,587)
Less: retrocession premiums	6	(552,395)	(66,342)	(618,737)	(891,955)
NET EARNED PREMIUMS	6	17,462,155	1,780,716	19,242,871	14,644,940
Investment income	7	2,698,292	1,037,369	3,735,661	3,681,630
Commissions recovered	10(a)	14,392	15,331	29,723	35,847
Fair value gains on revaluation of investment properties	18	(31,276)	(5,127)	(36,403)	2,176,592
Other income	8	53,351	-	53,351	52,969
Share of associate profits	19	292,844	-	292,844	587,444
TOTAL INCOME		20,489,758	2,828,289	23,318,047	21,179,422
CLAIMS AND POLICY HOLDERS BENEFITS EXPENSES					
Gross claims incurred and policy holder benefits expenses	9	(12,100,526)	(1,280,923)	(13,381,449)	(11,053,242)
Less: Re-insurers share of claims and policy holder benefits	9	385,703	31,101	416,804	385,781
NET CLAIMS AND BENEFITS		(11,714,823)	(1,249,822)	(12,964,645)	(10,667,461)
Cedant acquisition costs	10(a)	(4,305,501)	(522,149)	(4,827,650)	(3,795,241)
Operating and other expenses	10(b)	(1,512,908)	(183,871)	(1,696,779)	(1,926,155)
Provision for doubtful receivables	24	(78,682)	-	(78,682)	(748,757)
CLAIMS AND BENEFITS AND OTHER EXPENSES		(17,611,914)	(1,955,842)	(19,567,756)	(17,137,614)
PROFIT BEFORE TAX		2,877,844	872,447	3,750,291	4,041,808
INCOME TAX EXPENSE	11(a)	(714,932)	(239,181)	(954,113)	(180,842)
PROFIT FOR THE YEAR		2,162,912	633,266	2,796,178	3,860,966
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Share of gain on property revaluation of associate	19	2,938	-	2,938	1,812
Remeasurement losses on defined benefit plans, net of tax	21	(152,013)	-	(152,013)	(60,119)
Items that may be reclassified subsequently to profit or loss:					
Reclassification adjustment relating to available-for-sale financial assets disposed in the year	7	-	-	-	(137,457)
Net losses on revaluation of available-for-sale quoted equity instruments	27	(396,063)	-	(396,063)	(53,952)
Net gains on revaluation of available-for-sale government securities	28	5,444	-	5,444	69,316
Share of movement in associate reserves:					
- currency translation	19	373,905	-	373,905	7,415
- fair value reserve	19	(78,163)	-	(78,163)	99,275
TOTAL OTHER COMPREHENSIVE INCOME		(243,952)	-	(243,952)	(73,710)
TOTAL COMPREHENSIVE INCOME		1,918,960	633,266	2,552,226	3,787,256
EARNINGS PER SHARE - basic and diluted	12			1.00	2.48

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

KENYA REINSURANCE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	Short term ³		Long term ³	
		Business	Business	Total	Total
		2020	2020	2020	2019
		KShs '000	KShs '000	KShs '000	KShs '000
EQUITY					
Share capital	13	6,499,491	500,000	6,999,491	6,999,491
Revaluation reserve	14	20,468	-	20,468	17,530
Fair value reserve	14	(498,640)	(61,630)	(560,270)	(91,488)
Translation reserve	14	690,498	-	690,498	288,983
Statutory reserve	33		6,387,470	6,387,470	5,754,183
Retained earnings	14	20,859,668	-	20,859,668	18,982,026
TOTAL EQUITY		27,571,485	6,825,840	34,397,325	31,950,725
ASSETS					
Property and equipment	15	92,729	-	92,729	88,919
Intangible assets	16	113,150	184,614	297,764	473,804
Investment properties	18	10,460,225	1,714,775	12,175,000	12,080,000
Investment in associate	19	5,761,432	-	5,761,432	5,169,908
Unquoted equity instruments	22	209,674	-	209,674	205,733
Mortgage loans	17	776,835	-	776,835	677,385
Corporate bonds-held to maturity	23	-	-	-	156,450
Receivables arising out of reinsurance and retrocession arrangements	24	3,055,003	265,652	3,320,655	2,625,502
Premium and loss reserves	25	153,294	-	153,294	281,968
Deferred acquisition costs	30	737,689	-	737,689	1,408,838
Other receivables	26	493,185	-	493,185	538,401
Income tax receivable	11(c)	-	-	-	584,440
Quoted equity instruments	27	900,911	285,210	1,186,121	1,565,305
Government securities	28	12,740,691	4,517,371	17,258,062	17,112,941
Inventory	29	14,265	-	14,265	22,071
Deposits with financial institutions	31	2,741,242	5,565,310	8,306,552	6,786,635
Cash and bank balances	32	2,355,193	98,133	2,453,326	584,670
TOTAL ASSETS		40,605,518	12,631,065	53,236,583	50,362,970
LIABILITIES					
Long term reinsurance contract liabilities	33	-	2,721,542	2,721,542	2,687,032
Short term reinsurance contracts liabilities	34	9,340,902	-	9,340,902	6,205,183
Payables arising out of reinsurance arrangements	35	993,263	608,954	1,602,217	1,807,874
Deferred tax liability	36	(1,193,202)	2,474,729	1,281,527	1,042,345
Retirement benefits obligation	21	175,911	-	175,911	127,629
Income tax payable	11(c)	156,101	-	156,101	
Other payables	37	709,728	-	709,728	705,961
Unearned premiums	38	2,851,330	-	2,851,330	5,836,221
TOTAL LIABILITIES		13,034,033	5,805,225	18,839,258	18,412,245
NET ASSETS		27,571,485	6,825,840	34,397,325	31,950,725

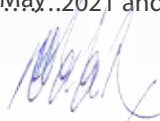
The financial statements were approved by the board of directors on31st May..2021 and were signed on its behalf by:



Jadhah Mwarania
Principal Officer



Chiboli Shakaba
Director



Michael O. Monari
Director

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

KENYA REINSURANCE CORPORATION LIMITED

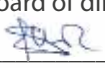
COMPANY STATEMENT OF FINANCIAL POSITION

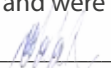
AS AT 31 DECEMBER 2020

	Notes	Short term ⁴		Long term ⁴	
		Business	Business	Total	Total
		2020	2020	2020	2019
		KShs '000	KShs '000	KShs '000	KShs '000
EQUITY					
Share capital	13	6,499,491	500,000	6,999,491	6,999,491
Revaluation reserve	14	20,468	-	20,468	17,530
Fair value reserve	14	(498,640)	(61,630)	(560,270)	(91,488)
Translation reserve	14	663,668	-	663,668	289,763
Statutory reserve	33	-	6,344,673	6,344,673	5,711,407
Retained earnings	14	20,742,369	-	20,742,369	19,011,450
TOTAL EQUITY		27,427,356	6,783,043	34,210,399	31,938,153
ASSETS					
Property and equipment	15	59,150	-	59,150	66,794
Intangible assets	16	87,931	209,833	297,764	473,804
Investment properties	18	10,460,225	1,714,775	12,175,000	12,080,000
Investment in associate	19	5,761,432	-	5,761,432	5,169,908
Investment in subsidiary companies	20	2,421,540	-	2,421,540	463,408
Unquoted equity instruments	22	209,674	-	209,674	205,733
Mortgage loans	17	765,636	-	765,636	668,075
Corporate bonds-held to maturity	23	-	-	-	156,450
Receivables arising out of reinsurance and retrocession arrangements	24	2,249,511	143,586	2,393,097	2,076,424
Premium and loss reserves	25	127,338	-	127,338	158,820
Deferred acquisition costs	30	654,771	-	654,771	1,285,548
Due from related party	41	65,311	-	65,311	85,508
Other receivables	26	465,515	-	465,515	516,970
Income tax receivable	11(c)	-	-	-	565,720
Quoted equity instruments	27	900,911	285,210	1,186,121	1,565,305
Government securities	28	12,642,882	4,517,371	17,160,253	16,972,465
Inventory	29	14,152	-	14,152	21,973
Deposits with financial institutions	31	2,391,827	5,193,473	7,585,300	6,238,132
Cash and bank balances	32	131,457	5,477	136,934	352,968
TOTAL ASSETS		39,409,263	12,069,725	51,478,988	49,124,005
LIABILITIES					
Long term reinsurance contract liabilities	33	-	2,721,542	2,721,542	2,687,032
Short term reinsurance contracts liabilities	34	8,646,523	-	8,646,523	5,706,891
Payables arising out of reinsurance arrangements	35	1,039,726	90,411	1,130,137	1,564,931
Deferred tax liability	36	(1,209,875)	2,474,729	1,264,854	1,025,673
Retirement benefits obligation	21	175,911	-	175,911	127,629
Due to related party	41	28,454	-	28,454	35,938
Income tax payable	11(c)	105,516	-	105,516	-
Other payables	37	603,212	-	603,212	628,511
Unearned premiums	38	2,592,440	-	2,592,440	5,409,247
TOTAL LIABILITIES		11,981,907	5,286,682	17,268,589	17,185,852
NET ASSETS		27,427,356	6,783,043	34,210,399	31,938,153

The financial statements were approved by the board of directors on31st May....2021 and were signed on its behalf by:


 Jadhah Mwarania
 Principal Officer


 Chiboli Shakaba
 Director


 Michael O. Monari
 Director

⁴The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.

KENYA REINSURANCE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Revalua- tion reserve	Fair value reserve	Translation reserve	Statutory reserve	Retained earnings	Total	
	Notes	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	
At 1 January 2019		1,749,873	15,718	(68,670)	281,568	4,379,937	22,014,607	28,373,033
Profit for the year						1,374,246	2,592,133	3,966,379
Other comprehensive income		-	1,812	(22,818)	7,415	-	(60,119)	(73,710)
Total comprehensive income		-	1,812	(22,818)	7,415	1,374,246	2,532,014	3,892,669
Capitalisation of retained earnings*		5,249,618	-	-	-	-	(5,249,618)	-
Dividends declared – 2018/19		-	-	-	-	-	(314,977)	(314,977)
At 31 December 2019		<u>6,999,491</u>	<u>17,530</u>	<u>(91,488)</u>	<u>288,983</u>	<u>5,754,183</u>	<u>18,982,026</u>	<u>31,950,725</u>
At 1 January 2020		6,999,491	17,530	(91,488)	288,983	5,754,183	18,982,026	31,950,725
Profit for the year		-	-	-	-	633,287	2,309,635	2,942,922
Other comprehensive income		-	2,938	(468,782)	401,515	-	(152,013)	(216,342)
Total comprehensive income		-	2,938	(468,782)	401,515	633,287	2,157,622	2,726,580
Capitalisation of retained earnings		-	-	-	-	-	-	-
Dividends declared – 2019	39	-	-	-	-	-	(279,980)	(279,980)
At 31 December 2020		<u>6,999,491</u>	<u>20,468</u>	<u>(560,270)</u>	<u>690,498</u>	<u>6,387,470</u>	<u>20,859,668</u>	<u>34,397,325</u>

*This relates to bonus shares being issued

KENYA REINSURANCE CORPORATION LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Translation reserve KShs '000	Statutory reserve KShs '000	Retained earnings KShs '000	Total KShs '000
At 1 January 2019		1,749,873	15,718	(68,670)	282,348	4,320,953	22,165,652	28,465,874
Profit for the year		-	-	-	-	1,390,454	2,470,512	3,860,966
Other comprehensive income		-	1,812	(22,818)	7,415	-	(60,119)	(73,710)
Total comprehensive income		-	1,812	(22,818)	7,415	1,390,454	2,410,393	3,787,256
Dividends declared – 2018	39	-	-	-	-	-	(314,977)	(314,977)
Capitalisation of retained earnings*		5,249,618	-	-	-	-	(5,249,618)	-
At 31 December 2019		6,999,491	17,530	(91,488)	289,763	5,711,407	19,011,450	31,938,153
At 1 January 2020		6,999,491	17,530	(91,488)	289,763	5,711,407	19,011,450	31,938,153
Profit for the year		-	-	-	-	633,266	2,162,912	2,796,178
Other comprehensive income		-	2,938	(468,782)	373,905	-	(152,013)	(243,952)
Total comprehensive income		-	2,938	(468,782)	373,905	633,266	2,010,899	2,552,226
Dividends declared – 2019	39	-	-	-	-	-	(279,980)	(279,980)
Capitalisation of retained earnings		-	-	-	-	-	-	-
At 31 December 2020		6,999,491	20,468	(560,270)	663,668	6,344,673	20,742,369	34,210,399

*This relates to bonus shares being issued

KENYA REINSURANCE CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 KShs '000	2019 KShs '000
Net cash generated from operations	40	1,010,730	2,283,297
Interest received on corporate bonds		11,620	61,056
Interest received on government securities		2,058,283	1,892,961
Interest received on staff mortgages and loans		25,474	22,931
Interest received on deposits with financial institutions		555,126	443,677
Interest received on commercial mortgages		24,075	38,825
Tax paid in the year	11(c)	(45,039)	(410,389)
Net cash generated from operating activities		3,640,269	4,332,358
Cash flows from investing activities			
Purchase of investment property	18	(131,403)	(98,558)
Purchase of property and equipment	15	(34,989)	(30,953)
Purchase of quoted equity instruments	27	(27,134)	(152,911)
Purchase of intangible assets	16	(15,577)	(88,361)
Purchase of government securities	28	(2,692,338)	(11,347,233)
Proceeds on maturity of government securities	28	2,675,246	8,739,837
Proceeds on sale of quoted equity instruments	27	10,255	133,085
Proceeds on redemption of corporate bonds	23	155,512	305,925
Dividends received on quoted equity instruments		88,712	95,347
Net cash generated from/(used in) investing activities		28,284	(2,443,822)
Cash flows used in financing activities			
Dividends paid	39	(279,980)	(314,977)
Net increase in cash and cash equivalents		3,388,573	1,573,559
Cash and cash equivalents at 1 January		7,371,305	5,797,260
Effect of unrealised exchange rate changes		-	486
Cash and cash equivalent at 31 December	32	10,759,878	7,371,305

KENYA REINSURANCE CORPORATION LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 KShs '000	2019 KShs '000
Net cash generated from operations	40	764,032	2,089,422
Interest received on corporate bonds	23	11,620	61,056
Interest received on government securities		2,032,564	1,871,787
Interest received on staff mortgages and loans		25,000	22,763
Interest received on deposits with financial institutions		543,018	435,129
Interest received on commercial mortgages		24,075	38,825
Tax paid in the year	11(c)	(45,039)	(393,713)
Net cash generated from operating activities		3,355,270	4,125,269
Cash flows from investing activities			
Purchase of investment property	18	(131,403)	(98,558)
Purchase of property and equipment	15	(17,952)	(25,554)
Purchase of quoted equity instruments	27	(27,134)	(152,911)
Purchase of intangible assets	16	(15,577)	(88,361)
Purchase of government securities	28	(2,602,673)	(11,226,222)
Proceeds on maturity of government securities	28	2,554,235	8,739,837
Proceeds on sale of quoted equity instruments	27	10,255	133,085
Proceeds on redemption of corporate bonds	23	155,512	305,925
Investment in subsidiary	20	(1,958,132)	(275,626)
Dividends received on quoted equity instruments		88,712	95,347
Net cash generated from/ (used in) investing activities		(1,944,157)	(2,593,038)
Cash flows used in financing activities			
Dividends paid	39	(279,980)	(314,977)
Net increase in cash and cash equivalents		1,131,133	1,217,254
Cash and cash equivalents at 1 January		6,591,101	5,373,721
Effect of unrealised exchange rate changes		-	125
Cash and cash equivalent at 31 December	32	7,722,234	6,591,100

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

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

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

a. Basis of preparation

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

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

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

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

b. Basis of consolidation

(i) Subsidiary

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Basis of consolidation (continued)

(i) Subsidiary (continued)

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

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

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

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

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

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

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

(iii) Changes in ownership interests in subsidiaries without change of control

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

(c) Business combinations and goodwill

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

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

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

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

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations and goodwill (continued)

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

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

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

(d) New and amended standards and interpretations

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

On 1 January 2020, the group adopted the following new standards, new Interpretations and amendments to standards.

	Effective for accounting period beginning on or after
Amendment to IFRS 3 Definition of a Business	1 January 2020
Amendment to IFRS 7, IFRS 9 and IAS 39, Interest Benchmark Reforms	1 January 2020
Amendment to IAS 1 and IAS 8, Definition of Material	1 January 2020
Conceptual Framework for Financial reporting.	1 January 2020
Amendment to IFRS 16: Covid -19 Related Rent concession (Effective 1st June 2020)	1 January 2020
Amendment to IFRS 3 Definition of a Business	1 January 2020
Amendment to IFRS 7, IFRS 9 and IAS 39, Interest Benchmark Reforms	1 January 2020
Amendment to IAS 1 and IAS 8, Definition of Material	1 January 2020
The amendments and annual improvements did not have an impact on the group.	

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards issued but not yet effective:

New or revised standards and interpretations:

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2023
IFRS 17 Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred indefinitely

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Group except for IFRS 17 and IFRS 9.

IFRS 9 *Financial Instruments*

The Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance. During 2020, there had been no significant change in the activities of the Group that requires reassessment. The Group intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period.

IFRS 17 *Insurance Contracts*

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

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

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

FOR THE YEAR ENDED 31 DECEMBER 2020**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(d) New and amended standards and interpretations (continued)**

IFRS 17 Insurance Contracts (continued)

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

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

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

(e) Reinsurance contracts**(i) Classification**

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

(a) Short-term reinsurance business

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

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

The Group's main classes are described below:

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Reinsurance contracts (continued)

(i) Classification (continued)

(b) Long-term reinsurance business

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

Ordinary life reinsurance business refers to the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability reinsurance contract), and includes contracts which are subject to the payment of premiums for term dependent on the termination or continuance of human life. Group life reinsurance business refers to the business of, or in relation to, the issuing of or the undertaking of liability under group life and permanent health reinsurance policies.

(ii) Recognition and measurement

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

(a) Premium income

General reinsurance written premiums and related expenses are accounted for in profit or loss when earned or incurred. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period and are estimated at 8th of net premiums the effect on future periods is impracticable to estimate.

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

(b) Claims incurred

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

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

(c) Cedant acquisition costs and deferred acquisition costs

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

FOR THE YEAR ENDED 31 DECEMBER 2020**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(e) Reinsurance contracts (continued)**

(ii) Recognition and measurement

(d) Liability adequacy test

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

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

(e) Retrocession contracts held

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

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

(f) Receivable and payables related to reinsurance contracts

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Reinsurance contracts (continued)

(ii) Recognition and measurement

(g) Premium and loss reserves

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

(h) Other income recognition

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

(f) Foreign currency transactions

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

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

(g) Tax

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

(i) Current tax

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

(ii) Deferred tax

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

FOR THE YEAR ENDED 31 DECEMBER 2020**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(g) Tax****(ii) Deferred tax**

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

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

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

(iii) Current and deferred tax for the year

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

(h) Investment properties

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

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

(i) Property and equipment

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

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

Depreciation

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

Computer equipment 25.0%

Motor vehicles 25.0%

Furniture, fittings and equipment 12.5%

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets – computer software and licenses

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

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

Impairment

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

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

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

(k) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Group has not entered into any agreements where it acts as lessee, thus there are no lease liabilities or right of use assets in terms of IFRS 16.

Company as a lessor

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

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

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

(m) Revaluation reserve

The revaluation reserve relates to property and equipment of the foreign associate which carries property and equipment at the revalued amount. Although the groups policy is to measure property and equipment at cost, the revaluation reserve of the foreign associate is immaterial for group purposes and has thus not been adjusted to reflect the cost model. The reserve is non-distributable. The revaluation surplus represents the surplus on the revaluation of property and equipment, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity.

(n) Fair value reserve

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

(o) Translation reserve

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

(p) Statutory reserve

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

(q) Investment in associate

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

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

(r) Investment in subsidiaries

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments

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

Financial assets

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

Classification

Financial assets at fair value through profit or loss

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

(t) Financial instruments

Loans and receivables

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

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

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

Held-to-maturity

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

Available-for-sale (AFS) financial assets

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

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

FOR THE YEAR ENDED 31 DECEMBER 2020**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(t) Financial instruments (continued)**

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

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

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

Recognition

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

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

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

Derecognition

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

Financial liabilities

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

Derecognition

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

Offsetting of financial instruments

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Cash and cash equivalents

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

(v) Retirement benefits obligations

Defined benefit scheme

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

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

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

Statutory defined contributions scheme

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

Other Employee entitlements

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

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

(w) Dividends

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

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

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

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

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

FOR THE YEAR ENDED 31 DECEMBER 2020**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S AND COMPANY'S ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)****Held -to-maturity financial assets**

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

Assessment of significant influence over an associate

The Group considers that it has significant influence over Zep –Re Limited though it owns less than the 20% of the voting power of the company. This is because the Group is the single largest shareholder of Zep-Re Limited with a 19.15% (2019: 19.17%) interest of the equity interest. The remaining 80.85% (2019: 80.83%) of the equity shares in Zep-Re Limited are widely held by many other shareholders, none of which individually hold more than 14 % of the equity shares (as recorded in the company's shareholders' register from 31 December 2015 to 31 December 2020). The group also has representation in the associate's Board.

Deferred tax assets

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

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

Valuation of insurance contract liabilities

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

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

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

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

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

Receivables

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Equity investment impairment

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

Impairment losses

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

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

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

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

Revaluation of investment properties

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

Contingent liabilities

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

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

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Further details are disclosed in note 43.

Defined benefit plans (pension benefits)

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

Tax

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

3. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including insurance risk, liquidity risk, credit risk, and the effects of changes in property and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

Reinsurance risk

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

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

The risk under any one insurance contract arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

Frequency and severity of claims

A key risk, related to pricing and provisioning, that the Group faces under its reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the reinsurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established based on past experience.

The Group has developed its reinsurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Group also manages these risks through its underwriting strategy and adequate retrocession arrangements and proactive claims handling.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Frequency and severity of claims (continued)

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

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

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

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

Sources of uncertainty in the estimation of future claim payments

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the outcome will prove to be different from the original liability established.

The liability for these contracts comprises a provision for incurred but not reported (IBNR) claims, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

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

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

Concentration of insurance risk

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets				
Held to maturity:				
- Government securities	17,028,241	16,888,564	16,930,432	16,748,088
- Corporate bonds	-	156,450	-	156,450
Available for sale				
- Government securities	229,821	224,377	229,821	224,377
- Quoted equities	1,186,121	1,565,305	1,186,121	1,565,305
- Unquoted equities	209,674	205,773	209,674	205,773
Loans and receivables				
Receivables arising out of reinsurance arrangements	3,320,655	2,625,502	2,393,097	2,076,424
Cash and bank balances	2,453,326	584,670	136,934	352,968
Due from related parties	-	-	65,311	85,508
Deposits with financial institutions	8,306,552	6,786,635	7,585,300	6,238,132
Premium and loss reserves	153,294	281,968	127,338	158,820
Mortgage loans	776,835	677,385	765,636	668,075
Other receivables	493,185	504,405	465,515	485,350
Total financial assets and receivables arising from reinsurance arrangements	34,157,704	30,501,034	30,095,179	28,965,270
Financial liabilities at amortised cost				
Payables arising out of reinsurance arrangements	1,602,217	1,807,874	1,130,137	1,564,931
Other payables	709,728	511,112	603,212	487,116
Total financial liabilities and payables arising from reinsurance arrangements	2,311,945	2,318,986	1,733,349	2,052,047
Insurance contract liabilities				
Long term liabilities	2,721,542	2,687,032	2,721,542	2,687,032
Short term liabilities	9,340,902	6,205,183	8,646,523	5,706,891
	12,062,444	8,892,215	11,368,065	8,393,923
Total insurance contract liabilities	12,062,444	9,063,091	11,368,065	8,564,799

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

GROUP

31 December 2020	Carrying Amount	No stated Maturity	Contractual cash flows (undiscounted)		
	KShs '000	KShs '000	0-1 years KShs '000	1-5 years KShs '000	>5 years KShs '000
Financial assets					
Held to maturity:					
- Government securities	17,028,241		1,376,823	3,267,976	27,452,353
- Corporate bonds	-	-	-	-	-
Available for sale					
- Quoted equities	1,186,121	1,186,121	-	-	-
- Government securities	229,821	-	-	-	229,821
- Unquoted equities	209,674	209,674	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	3,320,655	3,320,655	-	-	-
Other receivables	493,185	493,185	-	-	-
Premium loss reserves	153,294	153,294	-	-	-
Mortgage loans	776,835	-	10,713	173,424	759,398
Cash and cash equivalents	10,759,878	-	10,759,878	-	-
Total	34,157,704	5,362,929	12,147,414	3,441,400	28,441,572
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	1,602,217	1,602,217	-	-	-
Other payables	709,728	709,728	-	-	-
Total financial liabilities	2,311,945	2,311,945	-	-	-
Insurance contract liabilities					
Long term liabilities	2,721,542	2,721,542	-	-	-
Short term liabilities	9,340,902	9,340,902	-	-	-
	12,062,444	12,062,444	-	-	-
Total	14,374,389	14,374,389	-	-	-
Net gap	19,783,315	(9,011,460)	12,147,414	3,441,400	28,441,572

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

COMPANY	Carrying amount	No stated maturity	Contractual cash flows (undiscounted)		
			0-1 years	1-5 years	>5 years
31-December 2020					
Held to maturity:					
- Government securities	16,930,432	-	1,376,823	3,267,976	27,434,802
- Corporate bonds	-	-	-	-	-
Available for sale					
-Quoted equities	1,186,121	1,186,121	-	-	-
-Government securities	229,821	-	-	-	229,821
-Unquoted equities	209,674	209,674	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	2,393,097	2,393,097	-	-	-
Due from related parties	65,311	65,311	-	-	-
Other receivables	465,515	465,515	-	-	-
Premium loss reserves	127,338	127,338	-	-	-
Mortgage loans	765,636	-	10,586	171,366	750,385
Cash and cash equivalents	7,722,234	-	7,722,234	-	-
Total	30,095,179	4,447,056	9,109,643	3,439,342	28,415,008
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	1,130,137	1,130,137	-	-	-
Other payables	603,212	603,212	-	-	-
Total financial liabilities	1,733,349	1,733,349	-	-	-
Insurance contract liabilities					
Long term liabilities	2,721,542	2,721,542	-	-	-
Short term liabilities	8,646,523	8,646,523	-	-	-
	11,368,065	11,368,065	-	-	-
Total	13,101,414	13,101,414	-	-	-
Net gap	16,993,765	(8,654,358)	9,109,643	3,439,342	28,415,008

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

GROUP

31 December 2019	Carrying	No stated	Contractual cash flows (undiscounted)		
	Amount	maturity	0-1 years	1-5 years	>5 years
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets					
Held to maturity:					
- Government securities	16,888,564	-	778,867	9,621,948	13,705,064
- Corporate bonds	156,450	-	84,132	100,433	-
Available for sale					
- Quoted equities	1,565,305	1,565,305	-	-	-
- Government securities	224,377	-	-	-	272,782
- Unquoted equities	205,733	205,733	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	2,625,502	2,625,502	-	-	-
Other receivables	504,405	504,405	-	-	-
Premium loss reserves	281,968	281,968	-	-	-
Mortgage loans	677,385	-	33,493	92,874	570,525
Cash and cash equivalents	7,371,305	-	7,371,305	-	-
Total	30,500,994	5,182,913	8,267,797	9,815,255	14,548,371
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	1,807,874	1,807,874	-	-	-
Other payables	705,961	705,961	-	-	-
Total financial liabilities	2,513,835	2,513,835	-	-	-
Insurance contract liabilities					
Long term liabilities	2,687,032	2,687,032	-	-	-
Short term liabilities	6,205,183	6,205,183	-	-	-
	8,892,215	8,892,215	-	-	-
Total	11,406,050	11,406,050	-	-	-
Net gap	19,094,944	(6,223,137)	8,267,797	9,815,255	14,548,371

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

COMPANY	Carrying amount	No stated Maturity	Contractual cash flows (undiscounted)		
			0-1 years	1-5 years	>5 years
31-December 2019					
Held to maturity:					
- Government securities	16,748,088	-	778,867	9,621,948	13,705,064
- Corporate bonds	156,450	-	84,132	100,433	-
Available for sale					
-Quoted equities	1,565,305	1,565,305	-	-	-
-Government securities	224,377	-	-	-	272,782
-Unquoted equities	202,231	202,231	-	-	-
Loans and receivables					
Receivables arising out of reinsurance arrangements	2,076,424	2,076,424	-	-	-
Due from related parties	85,508	85,508	-	-	-
Other receivables	516,969	516,969	-	-	-
Premium loss reserves	158,820	158,820	-	-	-
Mortgage loans	668,075	-	33,033	91,597	562,684
Cash and cash equivalents	6,591,100	-	6,591,100	-	-
Total	28,993,347	4,605,257	7,487,132	9,813,978	14,540,530
Financial liabilities at amortised cost					
Payables arising out of reinsurance arrangements	1,564,931	1,564,931	-	-	-
Other payables	628,510	628,510	-	-	-
Total financial liabilities	2,193,441	2,193,441	-	-	-
Reinsurance liabilities					
Long term liabilities	2,687,032	2,687,032	-	-	-
Short term liabilities	5,706,891	5,706,891	-	-	-
	8,393,923	8,393,923	-	-	-
Total	10,587,364	10,587,364	-	-	-
Net gap	18,405,983	(5,982,107)	7,487,132	9,813,978	14,540,530

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance liabilities as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The risk management policies established identify and analyse the risks faced by the Group, set appropriate risk limits and controls, and monitor risks and adherence to limits. These risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Liquidity risk

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

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

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

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

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

(b) Market risk

Management of market risk

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

Interest rate risk

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

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

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

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(b) Market risk (continued)

Currency rate risk

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

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

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs'000	KShs'000	KShs'000	KShs'000
Assets in foreign currencies				
Trade and other receivables	5,169,960	3,476,551	3,799,149	3,154,651
Premiums and loss reserves	405,696	567,066	324,516	806,580
Deposits with financial institutions	2,198,144	1,887,692	1,824,968	1,625,203
Cash and bank	2,234,310	365,825	64,926	170,093
Foreign currency assets	10,008,110	6,297,134	6,013,559	5,756,527
Liabilities in foreign currencies				
Payables	(1,394,561)	(712,583)	(922,475)	(508,868)
Net foreign currency (liability)/ asset position	8,613,549	5,584,551	5,091,084	5,247,659

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

USD		GROUP		COMPANY	
		Effect on	Effect on	Effect on	Effect on
		profit before tax	equity	profit before tax	equity
		KShs'000	KShs'000	KShs'000	KShs'000
2020	Increase in US\$ by 10%	861,335	549,940	509,108	297,815
	Decrease in US\$ by 10%	(861,335)	(549,940)	(509,108)	(297,815)
2019	Increase in US\$ by 10%	558,455	390,918	524,766	367,336
	Decrease in US\$ by 10%	(558,455)	(390,918)	(524,766)	(367,336)

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(b) Market risk (continued)

Price risk

The Group is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities Exchange and which are classified as available for sale financial assets. Exposure to equity price risks in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

The Group has a defined investment policy which sets limits on the Group's exposure to equities both in aggregate terms and by category/share. This policy of diversification is used to manage the Group's price risk arising from its investments in equity securities. The Group's unlisted equities are also subject to price risk however, the Group has carried them at cost less any impairment cost. Refer to note 22.

As at the reporting date, the exposure to listed equity securities at fair value was KShs 1,186 million (2019: KShs 1,565 million). An increase/decrease of 15% in the value of the listed equity would result in a decrease / increase in profits of KShs 178 million (2019: KShs 235 million) and an increase/decrease in equity by KShs 125 million (2019: KShs 164 million).

(c) Credit risk

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

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

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

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

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

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(c) Credit risk (continued)

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Government securities	17,258,062	17,112,941	17,160,253	16,972,465
Corporate bonds	-	156,450		156,450
Loans and receivables at amortized cost:				
Deposits with financial institutions	8,306,552	6,786,635	7,585,302	6,238,132
Mortgage loans	776,835	677,385	765,636	668,075
Receivables arising out of reinsurance arrangements	3,320,655	2,625,502	2,393,097	2,076,424
Premium and loss reserves (note 25)	153,294	281,968	127,338	158,820
Bank balances	2,453,326	584,670	136,934	352,968
Other receivables	493,185	538,401	465,515	516,969
Total assets bearing credit risk	32,761,909	28,763,952	28,634,075	27,140,303
Receivables arising out of reinsurance arrangements are summarized as follows:				
Neither past due nor impaired	691,449	813,442	690,908	655,908
Past due but not impaired:				
-up to 91 to 365 days	1,562,013	945,200	669,996	1,402,857
-up to 1 to 2 years	1,067,193	866,860	1,032,193	350,528
-Impaired	2,975,834	2,748,021	2,532,581	2,453,899
	6,296,489	5,373,523	4,925,678	4,863,192
Less: provision for impairment (note 24)	(2,975,834)	(2,748,021)	(2,532,581)	(2,453,899)
Total	3,320,655	2,625,502	2,393,097	2,409,293

Mortgage loans are summarized as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Neither past due nor impaired	776,835	677,385	765,636	668,075
Past due but not impaired:				
-0 to 60 days	-	-	-	-
-61 to 120 days	-	-	-	-
-121 to 180 days	-	-	-	-
Impaired	146,404	146,404	146,404	146,404
	923,239	823,789	912,040	814,479
Less: provision for impairment (note 17)	(146,404)	(146,404)	(146,404)	(146,404)
Total	776,835	677,385	765,636	668,075

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(c) Credit risk (continued)

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

Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value.

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

GROUP	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2020:				
Government securities	16,930,432	-	-	16,930,432
Corporate bonds	-	-	-	-
At 31 December 2019:				
Government securities	16,748,088	-	-	16,748,088
Corporate bonds	156,450	-	-	156,450
COMPANY				
At 31 December 2020:				
Government securities	-	-	-	-
Corporate bonds	16,709,988	-	-	16,709,988
At 31 December 2019:				
Government securities	16,638,588	-	-	16,638,588
Corporate bonds	156,450	-	-	156,450

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

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(c) Credit risk (continued)

(ii) Fair value hierarchy (continued)

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

GROUP	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
At 31 December 2020				
Government securities	229,821	-	-	229,821
Quoted equity instruments	1,186,121	-	-	1,186,121
Investment properties	-	-	12,175,000	12,175,000
At 31 December 2019				
Government securities	224,377	-	-	224,377
Quoted equity instruments	1,565,305	-	-	1,565,305
Investment properties	-	-	12,080,000	12,080,000
COMPANY				
At 31 December 2020				
Government securities	229,821	-	-	229,821
Quoted equity instruments	1,186,121	-	-	1,186,121
Investment properties	-	-	12,175,000	12,175,000
At 31 December 2019				
Government securities	224,377	-	-	224,377
Quoted equity instruments	1,565,305	-	-	1,565,305
Investment properties	-	-	12,080,000	12,080,000

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

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2020 and 2019 are as shown below:

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

The Group has performed an assessment and currently there are no significant interrelationships between significant unobservable inputs and other unobservable inputs used in the fair value measurement. The valuation of investment properties was carried out by Bernard Muriithi Koome - P/No. ISK/897/4/VEMS/13 of Morgan Write Limited, professional independent valuers as at 31 December 2020.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(d) Insurance risk

The principal risk the group faces under reinsurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by frequency of the claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines as well as the use of reinsurance arrangements.

The group purchases reinsurance as a part of its risk's mitigation programme. Reinsurance ceded is placed on both a proportional and a non-proportional basis. Most of the proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

(i) Life reinsurance contracts

Life reinsurance contracts offered by the group include: treaties and facultative business on individual life and group life. Benefits payable are dependent on the group's share of reinsured sum assured.

The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

The group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the group to pursue third parties for payment of some or all costs. The group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the group.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Groupwide reinsurance limits of Kshs. 3,000,000 on any single life insured are in place.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(d) Insurance risk (continued)

(i) Life reinsurance contracts (continued)

	2020	Group 2019	2020	Company 2019
	KShs '000	KShs '000	KShs '000	KShs '000
Life fund	11,583,741	10,701,725	11,540,944	10,658,949
Less: actuarial value of policy holder liabilities	(2,721,542)	(2,687,032)	(2,721,542)	(2,687,032)
Actuarial surplus	8,862,199	8,014,693	8,819,402	7,971,917
Less deferred tax liability (note 36)	(2,474,729)	(2,260,510)	(2,474,729)	(2,260,510)
Statutory reserve	6,387,470	5,754,183	6,344,673	5,711,407

Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience and current internal data which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the group's own experiences.

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

In the table below it can be seen that when adjusting the main risk factors as described above, such as mortality, morbidity, expense risk and policyholder decision risk, there is no material impact on the best estimate liability. The only differences which occur when these factors are adjusted is the AIDS reserve and the claims equalisation reserve.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(d) Insurance risk (continued)

(i) Life reinsurance contracts (continued)

<i>Class of business</i>	<i>Sum assured (KShs)</i>	<i>Annual office premiums (KShs)</i>	<i>Unearned premium re-serve (KShs)</i>	<i>Incurred but not reported (KShs)</i>	<i>Best estimate actuarial liability (KShs)</i>	<i>10% Up Actuarial liability (KShs)</i>
<i>Individual run off life business and supplementary benefits</i>	1,758,859	125,792	50,317	31,448	81,765	81,765
<i>Superannuation Fund</i>	862,245,590,900	1,791,059,819	691,948,955	432,468,097	1,124,417,052	1,124,417,052
<i>Individual life treaty business</i>	4,798,707,792	73,363,292	27,283,383	17,052,114	44,335,497	44,335,497
<i>AIDS reserve</i>	-	-	-	-	1,298,815,835	1,515,285,141
<i>Claims equalisation reserve</i>	-	-	-	-	1,349,769,009	1,404,884,127
<i>Contingency reserve</i>	-	-	-	-	50,000,000	50,000,000
Total	867,046,057,551	1,864,548,903	719,282,655	449,551,659	3,867,419,158	4,139,003,582

(ii) Non-life insurance contracts

The Group principally issues the following types of general reinsurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non-life insurance policies usually cover twelve months duration.

For general reinsurance contracts, {the most significant risks arise when there is fire, motor accidents, property losses or medical claims for longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The group uses commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

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.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(d) Insurance risk (continued)

(ii) Non-life reinsurance contracts (continued)

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the group's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe,

counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

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

GROUP	Gross	Reinsurance	Net
YEAR 2020	KShs'000	KShs'000	KShs'000
As at 1 January 2020	6,601,842	(396,659)	6,205,183
Movement in claims reserves	3,206,618	(70,899)	3,135,719
Total Claims reserves	9,808,460	(467,558)	9,340,902
As at 1 January 2019	6,785,111	(782,165)	6,002,946
Movement in claims reserves	(183,269)	385,506	202,237
Total short-term contract liabilities as at 31 December 2019	6,601,842	(396,659)	6,205,183
COMPANY			
YEAR 2020			
As at 1 Jan 2020	6,058,529	(351,638)	5,706,891
Movement in claims reserves	3,050,392	(110,760)	2,939,632
Total Claims reserves	9,108,921	(462,398)	8,646,523
As at 1 Jan 2019	6,245,803	(691,963)	5,553,840
Movement in claims reserves	(187,274)	340,325	153,051
Total short-term contract liabilities as at 31 December 2019	6,058,529	(351,638)	5,706,891

Key Assumptions

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

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

(d) Insurance risk (continued)

(ii) Non-life reinsurance contracts (continued))

Sensitivities

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in the ultimate claims liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

The liabilities were subjected to sensitivity analysis on the key assumption of ultimate loss ratios used in the liability calculations. The table below demonstrated the gross and net effect of an increase and decrease of the ultimate loss ratios by 10%.

It should be noted that movements in these assumptions are non-linear.

Change in assumption	Change in gross liability	Change in net liability
+10%	1,167,640,222	1,000,176,347
-10%	(1,158,764,487)	(991,600,461)

FOR THE YEAR ENDED 31 DECEMBER 2020

4. CAPITAL MANAGEMENT

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

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

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

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

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its reinsured and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Group has a number of sources of capital available to it and seeks to optimize its retention capacity in order to ensure that it can consistently maximize returns to shareholders. The Group considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, as appropriate, when assessing its deployment and usage of capital. The Group manages as capital all items that are eligible to be treated as capital. The Group has no borrowings.

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

5. SEGMENTAL REPORTING

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the corporation's total revenue in 2020 or 2019.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

5. SEGMENTAL REPORTING (continued)

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

	2020	GROUP 2019	2020	COMPANY 2019
	KShs'000	KShs'000	KShs'000	KShs'000
Gross earned premiums				
General insurance business	16,671,121	15,477,937	15,197,743	14,332,826
Life business	1,864,099	2,043,406	1,847,058	2,040,656
	18,535,220	17,521,343	17,044,801	16,373,482
Investment income:				
General insurance business				
Rental income from investment properties	819,143	752,757	819,143	752,757
Interest on Government securities held to maturity	1,586,191	1,573,725	1,571,793	1,554,259
Gain on sale of available-for-sale quoted equity instruments	-	137,457	-	137,457
Dividends receivable on available for sale quoted equity instruments	67,381	76,984	67,381	76,984
Interest on commercial mortgages	32,739	47,473	32,739	47,473
Interest on deposits with financial institutions-held to maturity	209,690	114,454	171,554	85,921
Interest on corporate bonds- held to maturity	10,682	47,519	10,682	47,519
Capital Gain on T.Bond-General Fund	-	93,383	-	93,383
Interest on staff mortgages and loans	25,474	22,931	25,000	22,763
	2,751,300	2,866,683	2,698,292	2,818,516
Life assurance business				
Rental income from investment properties	134,285	127,505	134,285	127,505
Interest on Government securities held to maturity	509,250	364,535	509,250	364,535
Dividends receivable on available-for-sale quoted equity instruments	21,331	21,865	21,331	21,865
Interest on deposits with financial institutions-held to maturity	375,750	334,108	372,503	349,209
	1,040,616	848,013	1,037,369	863,114
Total investment income	3,791,916	3,714,696	3,735,661	3,681,630

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

5. SEGMENTAL REPORTING (continued)

Other disclosures:

GROUP	General	Life	Total 2020	Total 2019
	Insurance business KShs'000	Assurance Business KShs'000		
Reportable segment profits before tax	3,111,124	872,468	3,983,592	4,176,194
Income tax expense	(801,489)	(239,181)	(1,040,670)	(209,815)
Reportable segment profits after tax	2,309,635	633,287	2,942,922	3,966,379
Reportable segment total assets	40,605,518	12,631,065	53,236,583	50,362,970
Less:				
: Related party balances	-	-	-	-
Net	40,605,518	12,631,065	53,236,583	50,362,970
Reportable segment total liabilities	13,034,033	5,805,225	18,839,258	18,412,245
Less:				
: Related party balances	-	-	-	-
Net	13,034,033	5,805,225	18,839,258	18,412,245
Fees and commission income	50,464	849	51,313	54,742
Depreciation of property and equipment	28,077	3,139	31,216	33,665
Amortisation of intangible assets	172,346	19,271	191,617	202,813
Property and equipment additions	92,729	-	92,729	88,919
Intangible assets additions	(109,145)	(66,895)	(176,040)	(114,452)
Share of associates profit	292,844	-	292,844	587,444
COMPANY	General	Life	Total 2020	Total 2019
	Insurance Business KShs'000	Assurance Business KShs'000		
Reportable segment profits before tax	2,877,844	872,447	3,750,291	4,041,808
Income tax expense	(714,932)	(239,181)	(954,113)	(180,842)
Reportable segment profits after tax	2,162,912	633,266	2,796,178	3,860,966
Reportable segment total assets	39,409,263	12,069,725	51,478,988	49,124,004
Less:				
: Related party balances	(65,311)	-	(65,311)	(85,508)
: Investment in subsidiaries	(2,421,540)	-	(2,421,540)	(463,408)
Reportable segment total assets-Net	36,922,412	12,069,725	48,992,137	48,575,088

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

5. SEGMENTAL REPORTING (continued)

Other disclosures (continued):

COMPANY (continued)	General	Life	Total 2020	Total 2019
	Insurance Business	Assurance Business		
	KShs'000	KShs'000	KShs'000	KShs'000
Reportable segment total liabilities	11,981,907	5,286,682	17,268,589	17,185,851
Less Related party balances	(28,454)	-	(28,454)	(35,938)
Net	11,953,453	5,286,682	17,240,135	17,149,913
Fees and commission income	14,392	15,331	29,723	35,847
Depreciation of property and equipment	19,542	3,383	22,925	25,374
Amortisation of intangible assets	170,852	20,765	191,617	202,813
Property and equipment additions	(7,644)	-	(7,644)	(1,747)
Intangible assets additions	(124,070)	(51,984)	(176,054)	(114,452)
Share of associates profit	292,844	-	292,844	587,444

6. PREMIUMS INCOME

The Group is organised into two main divisions, short term business and long-term business. Long term business relates to the underwriting of risks relating to death of an insured person. Short business relates to all other categories of short-term insurance business written by the Group, analysed into several sub-classes of business based on the nature of the assumed risks.

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs'000	KShs'000	KShs'000	KShs'000
Long-term business				
Super annuation	1,729,548	1,899,662	1,719,773	1,897,132
Ordinary life	68,126	45,342	60,943	45,122
Total	1,797,674	1,945,004	1,780,716	1,942,254
Short-term business				
Aviation	44,208	16,368	40,532	15,221
Engineering	677,231	897,242	506,978	758,570
Fire	5,429,035	3,583,835	4,565,330	3,139,347
Liability	182,775	180,357	113,783	141,323
Marine	835,749	511,603	687,033	443,669
Motor	160,471	763,592	170,335	722,142
Medical	2,972,171	3,214,139	2,913,130	3,212,360
Agriculture	6,148,707	3,086,570	6,187,422	3,081,110
Bond	441,912	245,094	294,386	210,466
Miscellaneous (incl. Theft)	1,721,677	865,570	1,560,125	764,652
Oil & Energy	69,991	30,582	68,061	30,332
Political Risks	368,665	190,662	355,040	183,494
Total	19,052,592	13,585,614	17,462,155	12,702,686
TOTAL	20,850,266	15,530,618	19,242,871	14,644,940

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

6. PREMIUMS INCOME

RETROCESSION PREMIUMS

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs'000	KShs'000	KShs'000	KShs'000
Aviation	20,010	30,627	20,010	30,627
Engineering	332,152	185,214	328,714	55,752
Fire	58,027	280,899	28,596	279,007
Liability	70	15,560	-	-
Marine	64,348	62,968	63,905	62,968
Motor	11,213	38,586	-	-
Agriculture	42,229	297,747	42,229	297,747
Miscellaneous (incl. Theft)	37,251	21,602	37,251	21,602
Oil & Energy	2,939	-	-	-
Political Risks	35,184	45,850	31,689	45,850
Life business	66,422	98,402	66,343	98,402
TOTAL	669,845	1,077,455	618,737	891,955

7. INVESTMENT INCOME

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs'000	KShs'000	KShs'000	KShs'000
Rental income from investment properties	953,428	880,262	953,428	880,262
Interest on Government securities held to maturity	2,053,532	1,899,495	2,039,422	1,880,418
Interest income on available for sale Government securities	41,909	38,765	41,621	38,376
Gain on sale of available for sale quoted equity instruments	-	137,457	-	137,457
Dividends receivable on available- for sale quoted equity instruments	88,712	98,849	88,712	98,849
Interest on commercial mortgages	32,739	47,473	32,739	47,473
Interest on deposits with financial institutions-held to maturity	585,440	448,562	544,056	435,129
Interest on corporate bonds – held to maturity	10,682	47,519	10,682	47,519
Capital Gain on disposal of government securities	-	93,383	-	93,383
Interest on staff mortgages and loans	25,474	22,931	25,001	22,764
Total investment income	3,791,916	3,714,696	3,735,661	3,681,630

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

8. OTHER INCOME

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
COMESA Yellow Card income	43,246	44,278	43,246	44,278
Miscellaneous income	10,105	8,691	10,105	8,691
	53,351	52,969	53,351	52,969

9. CLAIMS AND POLICY HOLDERS BENEFITS EXPENSES

Claims paid	10,763,153	11,187,577	10,407,307	10,842,284
Changes in the provision for outstanding claims incurred but not reported (IBNR)	3,135,719	202,237	2,939,632	153,051
Increase in actuarial liability on long term insurance contracts (note 34)	34,510	57,907	34,510	57,907
Gross claims incurred	13,933,382	11,447,721	13,381,449	11,053,242
Less: Amounts recoverable from retrocessionaires	(416,804)	(385,781)	(416,804)	(385,781)
Net claims incurred	13,516,578	11,061,940	12,964,645	10,667,461

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 (a). CEDANT ACQUISITION COSTS

CEDANT ACQUISITION COSTS	GROUP		COMPANY	
	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000
Super annuation	505,702	586,651	503,464	585,827
Ordinary life	20,718	13,313	18,685	13,313
Aviation	17,687	9,724	16,650	9,471
Engineering	(917,616)	313,250	246,026	265,887
Fire	1,573,421	1,066,653	1,308,405	916,910
Liability	48,855	58,563	29,431	46,550
Marine	283,504	178,745	242,536	159,107
Motor	(121,664)	108,403	(103,218)	106,841
Medical	781,360	821,685	764,808	821,411
Agriculture	945,696	358,058	957,507	356,532
Bond	171,350	100,096	124,257	89,022
Miscellaneous (incl. Theft)	1,875,726	401,511	596,030	350,588
Oil & Energy	7,723	5,123	7,225	5,076
Political Risks	118,034	70,272	115,844	68,706
TOTAL	5,310,496	4,092,047	4,827,650	3,795,241

COMMISSIONS RECOVERED	GROUP		COMPANY	
	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000
Engineering	15,966	63	8,804	-
Fire	6,817	10,142	637	2,559
Marine	1,638	1,697	1,338	459
Motor	3,206	1,088	-	-
Liability	605	-	-	-
Agriculture	1,734	10,033	1,535	2,713
Miscellaneous (incl. Theft)	785	264	695	-
Oil & Energy	830	-	-	71
Political Risks	2,394	1,935	1,383	525
Life business	17,338	29,520	15,331	29,520
TOTAL	51,313	54,742	29,723	35,847

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
10 (b). OPERATING AND OTHER EXPENSES	KShs '000	KShs '000	KShs '000	KShs '000
Staff costs	788,290	799,235	696,200	717,258
Depreciation (note 15)	31,216	33,665	25,632	27,301
Amortisation (note 16)	191,617	202,813	191,617	202,813
Auditors' remuneration-Current year	15,385	13,087	9,549	9,549
Auditors' remuneration- Prior year	750	-	750	-
Directors' – emoluments	14,311	9,600	6,937	9,600
Directors' – fees	20,687	15,019	11,226	13,605
Directors' – training	4,299	13,439	4,299	13,439
Rent provisions	112,278	46,456	112,278	46,456
Annual General Meeting expenses	11,386	15,776	11,386	15,776
Investment property direct operating (revenue generating) expenses	188,136	206,888	188,136	206,832
Travel and accommodation	30,172	175,839	27,325	166,724
Advertisement	13,120	23,316	12,576	23,316
Professional and consultancy fees	86,035	56,200	85,218	57,243
Rent and rates	11,594	14,731	11,594	12,154
Hardware and software maintenance	161,690	45,464	161,663	45,358
Donations, sponsorship and CSR activities	50,720	25,712	50,720	25,712
Bank charges	10,832	16,345	5,670	12,128
Indirect tax expenses in subsidiaries	-	620	-	10
Foreign currency exchange losses	141,615	102,540	(2,621)	103,227
Provision for un-reconciled inventory	3,445	-	3,445	-
Other expenses	77,230	226,707	83,179	217,654
	<u>1,964,808</u>	<u>2,043,452</u>	<u>1,696,779</u>	<u>1,926,155</u>
Staff costs consist:				
Salaries and wages	519,002	498,143	457,157	451,043
Retirement benefit costs (note 21)	13,269	12,048	13,269	12,048
Medical expenses	40,967	34,428	36,934	33,414
Leave allowance	48,266	56,046	36,541	37,122
Contribution to National Social Security Fund	537	754	375	373
Gratuity accrual	16,852	30,505	10,826	21,823
Bonus	74,619	73,495	73,054	73,495
Staff welfare expenses	23,192	29,535	21,290	26,570
Training and recruitment	7,348	23,370	6,815	23,117
Leave pay provision	3,485	3,211	4,092	3,382
Pension contributions to defined contribution scheme	40,753	37,700	35,847	34,871
	<u>788,290</u>	<u>799,235</u>	<u>696,200</u>	<u>717,258</u>
Other expenses consist:				
Motor vehicle running expenses	1,209	887	690	436
General office expenses	10,198	8,112	9,728	7,759
Marketing expenses	2,488	2,767	2,488	2,767
Corporate and other sundry expenses	63,335	214,941	70,273	206,692
	<u>77,230</u>	<u>226,707</u>	<u>83,179</u>	<u>217,654</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

11. TAXATION

	GROUP		COMPANY	
	2020	2019	2020	2019
(a) Profit or Loss	KShs '000	KShs '000	KShs '000	KShs '000
Current tax on the taxable profit for the year	682,334	257,441	595,777	228,468
Change in tax rate	119,155		119,155	
Prior year under provision	-	10,484	-	10,484
	801,489	267,925	714,932	238,952
Deferred tax charge (note 37)				
- Current year	239,181	(3,490)	239,181	(3,490)
- Prior year over provision	-	(54,620)	-	(54,620)
	1,040,670	209,815	954,113	180,842
(b) The Group's current tax charge is computed in accordance with income tax rules applicable to composite insurance and reinsurance companies. A reconciliation of the tax charge is shown below:				
		GROUP		COMPANY
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Profit before tax	3,983,592	4,176,194	3,750,291	4,041,808
Tax calculated at the statutory income tax rate of 25% (2019 - 30%)	1,195,078	1,252,858	1,125,087	1,223,885
Tax effects of non-taxable income**	(207,719)	(1,037,257)	(207,719)	(1,037,257)
Tax effect of non-deductible expenses*	53,311	38,350	36,745	38,350
Prior year under provision- current tax	-	10,484	-	10,484
Prior year over provision- deferred tax	-	(54,620)	-	(54,620)
	1,040,670	209,815	954,113	180,842
Attributable to:				
Long term business	239,181	463,644	239,181	463,644
Short term business	801,489	(253,829)	714,932	(282,802)
	1,040,670	209,815	954,113	180,842
(c) Statement of financial position				
At 1 January	(584,440)	(441,976)	(565,720)	(410,959)
Charge for the year	801,489	257,441	714,932	228,468
Under provision in prior year	(15,909)	10,484	1,343	10,484
Paid in the year	(45,039)	(410,389)	(45,039)	(393,713)
At 31 December	156,101	(584,440)	105,516	(565,720)

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

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

12. EARNINGS PER SHARE (EPS)

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Profit attributable to shareholders	2,942,922	3,966,379	2,796,178	3,860,966
Weighted average number of ordinary shares in issue	2,799,796	1,557,147	2,799,796	1,557,147
Basic and diluted earnings per share	1.05	2.55	1.00	2.48

There were no potentially dilutive shares outstanding at 31 December 2020 and 2019. The diluted earnings per share is therefore the same as the basic earnings per share.

13. SHARE CAPITAL

(i) Authorized: share capital		KShs '000	KShs '000
ordinary shares of KShs 2.50 each (3,200,000,000 ordinary shares of KShs 2.50 each)		8,000,000	8,000,000
(ii) Issued and fully paid	Number of shares	2020 KShs '000	2019 KShs '000
At 31 December	2,799,796,272	6,999,491	6,999,491

14. RESERVES

Retained earnings

The retained earnings balance represents the amounts available for distribution to the shareholders of the Group, except for cumulative fair value gains on the Group's investment properties amounting to KShs 8,060,821,074 (2019: KShs 8,097,224,133) whose distribution is subject to restrictions imposed by legislation.

Revaluation reserve

The revaluation reserve relates to property and equipment of the foreign associate which carries property and equipment at the revalued amount. Although the groups policy is to measure property and equipment at cost, the revaluation reserve of the foreign associate is immaterial for group purposes and has thus not been adjusted to reflect the cost model. The reserve is non-distributable.

The revaluation surplus represents the surplus on the revaluation of property and equipment, net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity.

Fair value reserve

The fair value reserve includes the cumulative change in the fair value of available-for-sale investments until the investment is derecognised. Movements in the fair value reserve are shown in the statement of changes in equity.

Translation reserve

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

15. PROPERTY AND EQUIPMENT

GROUP	Motor vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Total KShs'000
2020				
COST				
At 1 January 2020	49,511	162,444	134,685	346,640
Additions	8,887	18,055	8,049	34,991
At 31 December 2020	58,398	180,499	142,734	381,631
ACCUMULATED DEPRECIATION				
At 1 January 2020	38,651	117,571	101,500	257,722
Charge for the year	5,683	19,181	6,352	31,216
Disposal	-	(36)	-	(36)
At 31 December 2020	44,334	136,716	107,852	288,902
CARRYING AMOUNT				
At 31 December 2020	14,064	43,783	34,882	92,729
31 DECEMBER 2020				
2019				
COST				
At 1 January 2019	49,511	144,598	121,579	315,688
Additions	-	17,847	13,106	30,953
At 31 December 2019	49,511	162,445	134,685	346,641
ACCUMULATED DEPRECIATION				
At 1 January 2019	29,790	99,615	94,652	224,057
Charge for the year	8,861	17,956	6,848	33,665
At 31 December 2019	38,651	117,571	101,500	257,722
CARRYING AMOUNT				
At 31 December 2019	10,860	44,874	33,185	88,919

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

15. PROPERTY AND EQUIPMENT (continued)

COMPANY	Motor Vehicles KShs'000	Computers KShs'000	Furniture and equipment KShs'000	Total KShs'000
2020				
COST				
At 1 January 2020	26,803	156,920	115,966	299,689
Additions	-	17,952	-	17,952
At 31 December 2020	26,803	174,872	115,966	317,641
ACCUMULATED DEPRECIATION				
At 1 January 2020	24,355	114,038	94,502	232,895
Charge for the year	2,448	18,549	4,635	25,632
Disposal	-	(36)	-	(36)
At 31 December 2020	26,803	132,551	99,137	258,491
CARRYING AMOUNT	-	42,321	16,829	59,150
At 31 December 2020				
2019				
COST				
At 1 January 2019	26,803	139,177	108,155	274,135
Additions	-	17,743	7,811	25,554
At 31 December 2019	26,803	156,920	115,966	299,689
ACCUMULATED DEPRECIATION				
At 1 January 2019	19,460	97,036	89,098	205,594
Charge for the year	4,895	17,002	5,404	27,301
At 31 December 2019	24,355	114,038	94,502	232,895
CARRYING AMOUNT				
At 31 December 2019	2,448	42,882	21,464	66,794

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

16. INTANGIBLE ASSETS - GROUP and COMPANY

	Computer Software	Capital WIP	Total
	KShs'000	KShs'000	KShs'000
31 DECEMBER 2020			
COST			
At 1 January 2020	968,166	-	968,166
Additions	15,577	-	15,577
Transfer from W.I.P	-	-	-
At 31 December 2020	983,743	-	983,743
AMORTISATION			
At 1 January 2020	494,363	-	494,363
Charge for the year	191,616	-	191,616
At 31 December 2020	685,979	-	685,979
NET CARRYING AMOUNT			
At 31 December 2020	297,764	-	297,764
31 DECEMBER 2019			
COST			
At 1 January 2019	879,805	-	879,805
Additions	88,362	-	88,362
Transfer from W.I.P	-	-	-
At 31 December 2019	968,167	-	968,167
AMORTISATION			
At 1 January 2019	291,550	-	291,550
Charge for the year	202,813	-	202,813
At 31 December 2019	494,363	-	494,363
NET CARRYING AMOUNT			
	473,804	-	473,804

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

17. MORTGAGE LOANS

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Staff mortgages	545,279	454,382	534,202	445,072
Commercial mortgages	377,960	369,407	377,838	369,407
	923,239	823,789	912,040	814,479
Less: impairment provision	(146,404)	(146,404)	(146,404)	(146,404)
	776,835	677,385	765,636	668,075
Maturity analysis:				
Within 1 year	2,409	1,789	2,409	1,789
Within 1 to 5 years	131,437	78,636	131,437	78,636
Over 5 years	642,989	596,960	631,790	587,650
	776,835	677,385	765,636	668,075
Impairment provision analysis:				
Balance brought forward	146,404	146,404	146,404	146,404
Additional provision	-	-	-	-
Balance carried forward	146,404	146,404	146,404	146,404

The weighted average effective interest rate on the mortgages was 7.98% (2019 – 10.5%). Mortgage loans are fully secured.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

18. INVESTMENT PROPERTIES – GROUP AND COMPANY

	Reinsur- ance Plaza Nairobi L.R. No. 209/8770	Reinsurance Plaza Kisumu- Kisumu Municipality/ Block 7/378	Anniversa- ry Towers Nairobi -LR No. 209/ 9744	Kenya Re Towers Nairobi- LR No. 209/ 11260	Upper Hill Plot -L.R. No.209/ 12922	JKIA Plot- LR No. 9042/ 222	Mbag- athi plot- L.R no:209/ 11976	Total
2020								
At 1 January	2,985,000	980,000	3,070,000	1,750,000	1,000,000	700,000	1,595,000	12,080,000
Additions	22,799	1,395	76,439	28,720	2,050	-	-	131,403
Fair value gains	27,201	13,605	(16,439)	(63,720)	(22,050)	20,000	5,000	(36,403)
Disposals in the year	-	-	-	-	-	-	-	-
At 31 December 2020	3,035,000	995,000	3,130,000	1,715,000	980,000	720,000	1,600,000	12,175,000
2019								
At 1 January	2,850,000	955,000	2,950,000	1,675,000	985,000	690,000	-	10,105,000
Additions	77,748	1,536	7,770	6,183	5,321	-	-	98,558
Fair value gains	57,252	23,464	112,230	68,817	9,679	10,000	1,895,150	2,176,592
Disposals in the year	-	-	-	-	-	-	(300,150)	(300,150)
At 31 December 2019	2,985,000	980,000	3,070,000	1,750,000	1,000,000	700,000	1,595,000	12,080,000

The revalued properties consist of office properties situated in Nairobi and Kisumu held to earn rentals and/or capital appreciation and land acquired for development of office buildings and housing projects for rental and/or capital appreciation.

The valuation of investment properties was carried out by Bernard Muriithi Koome - P/No. ISK/897/F/VEMS/13 of Morgan Write Limited, professional independent valuers as at 31 December 2020.

Fair value of the properties was determined using the open market basis and depreciated replacement cost method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. The effect of Covid-19 Pandemic has been incorporated in input of valuation of land and Building.

Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss.

*The Corporation is the registered owner of Land LR No. 9042/222 within the precinct of Jomo Kenyatta International Airport (JKIA) valued at Kshs.720,000,000 as at 31 December 2020. However, management has disclosed that it has restricted access to the land as imposed by Kenya Airport Authority (KAA) mainly due to security reasons. Therefore, they are not realizing full potential of their investment.

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

18. INVESTMENT PROPERTIES – GROUP AND COMPANY (continued)

Future minimum rentals receivable under non-cancellable operating leases

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

The total contingent rents recognised as income during the year is KShs 953 million (2019: KShs 880 million). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2020	2019
	KShs'000	KShs'000
Not later than one year	201,845	18,791
Later than 1 year but not later than 5 years	1,508,533	1,931,072
Later than 5 years	415,425	438,381
	2,125,803	2,388,244

19. INVESTMENT IN ASSOCIATE – GROUP AND COMPANY

The group has a 19.15% interest in ZEP-Re (PTA Reinsurance) Company, a reinsurance company that underwrites all classes of life and non-life reinsurance risks. ZEP Re Limited is a private entity that is not listed on any public exchange. The Company was established on 23rd November 1990 in Mbabane, Swaziland through an Agreement of Heads of State and Governments. The current signatories to the Company's charter include; Angola, Burundi, Comoros, D.R. Congo, Djibouti, Kenya, Eritrea, Ethiopia, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Somali, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. The Group's interest ZEP Re Limited is accounted for using the equity method in both separate and consolidated financial statements.

	2020	2019
	KShs '000	KShs '000
At 1 January	5,169,908	4,473,962
Share of profit for the year	292,844	587,444
Less: dividends - received in cash	-	-
- receipt of additional shares	(102,049)	(48,815)
	5,360,703	5,012,591
Share of revaluation reserve	2,938	1,812
Share of fair value reserve	(78,163)	99,275
Currency translation adjustment	373,905	7,415
capitalisation of dividends	102,049	48,815
	400,729	157,317
Net carrying amount of the investment	5,761,432	5,169,908

Summary financial information for ZEP-Re

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

	2020	2019
	KShs	KShs
Closing rate	109.17	101.34
Average rate	106.47	102.01
Ownership	19.145%	19.17%

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
19. INVESTMENT IN ASSOCIATE – GROUP AND COMPANY (continued)

Summary financial information for ZEP-Re

	2020	2019
	KShs'000	KShs'000
Current assets	36,928,729	17,505,462
Non- current assets	11,871,214	26,429,317
Current liabilities	(4,120,930)	(64,751)
Non- current liabilities	(14,585,349)	(16,901,285)
Equity	<u>30,093,664</u>	<u>26,968,743</u>
Group's share of net assets of associate	<u>5,761,432</u>	<u>5,169,908</u>
Total Income	17,631,225	18,870,293
Total expense	15,963,650	15,802,699
Profit	1,667,575	3,067,594
Other incomprehensive Income	(392,665)	527,870
Total Comprehensive Income	<u>1,274,910</u>	<u>3,595,464</u>
Group's share of profit for the year	<u>292,844</u>	<u>587,444</u>

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

20. INVESTMENT IN SUBSIDIARIES -COMPANY

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

	Country of incorporation	Proportion of ownership interest and voting power held at		Investment at cost:	
		2020	2019	2020	2019
				KShs '000	KShs '000
Kenya Reinsurance Corporation Côte d'Ivoire	Ivory Coast	100%	100%	1,962,318	4,186
Kenya Reinsurance Corporation Zambia	Zambia	100%	100%	183,596	183,596
Kenya Reinsurance Corporation Uganda limited	Uganda	100%	-	275,626	275,626
				<u>2,421,540</u>	<u>463,408</u>

The primary business of the three subsidiaries is reinsurance.

21. RETIREMENT BENEFIT OBLIGATION– GROUP and COMPANY
Defined Benefit Scheme

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

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

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

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

The weighted average duration of the liability as at 31 December 2020 is 3.5 (2019: 3.0).

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

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

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

Asset Class	2020		2019	
	Amount	Proportion	Amount	Proportion
	KShs'000	%	KShs'000	%
Quoted equity investments	118,918	14.61	128,002	17.95
Fixed deposits, commercial papers and government securities	373,847	45.93	414,928	58.2
Net current assets	-	-	-	-
Properties and other fixed assets	321,185	39.46	170,000	23.85
Total	813,950	100	712,930	100

Sensitivity of the Scheme:

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

	Current Discount Rate (10.41% per annum)	Discount Rate less (10.41 % per annum)
	KShs'000	KShs'000
Present Value of Obligation at 31 December 2020	989,861	1,021,893

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

GROUP AND COMPANY

The actuarial valuation results were as follows:

	2020	2019
	KShs '000	KShs '000
Present value of funded obligations	(989,861)	(840,559)
Fair value of scheme assets	813,950	712,930
Net (liability) in the statement of financial position	(175,911)	(127,629)
Movement in present value of funded obligation:		
As at 1 January	840,559	698,187
Current service costs	4,021	4,543
Administration costs	(4,021)	-
Interest cost	106,989	89,028
Actuarial gain/(loss)	77,448	80,052
Benefits payment	(35,135)	(31,251)
At 31 December	989,861	840,559

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
21. RETIREMENT BENEFIT OBLIGATION – GROUP and COMPANY (continued)

Defined benefit scheme (continued)

	2020	2019
	KShs '000	KShs '000
Movement in fair value of plan assets		
As at 1 January	712,930	642,725
Interest income on plan assets	97,741	81,523
Return on plan assets (excluding amount in interest income)	(74,565)	19,933
Administration expenses	(4,021)	-
Employer Contributions	117,000	-
Benefits and expenses paid	(35,135)	(31,251)
At 31 December	<u>813,950</u>	<u>712,930</u>
Movement in net assets		
As at 1 January	(127,629)	(55,462)
Net expense recognised in profit or loss	(13,269)	(12,048)
Company contributions	117,000	-
Net charge recognised in other comprehensive income	(152,013)	(60,119)
At 31 December	<u>(175,911)</u>	<u>(127,629)</u>
Amount recognised in profit or loss:		
Current service cost net of employees' contributions	4,021	4,543
Net interest on obligation and plan assets	9,248	7,505
Total included in "staff costs" in respect of scheme	<u>13,269</u>	<u>12,048</u>
Amount recognised in other comprehensive income:		
Actuarial gains/(loss)	77,448	80,052
Return on plan assets (excluding amount in interest income)	74,565	(19,933)
Total charge /(credit) to other comprehensive income	<u>152,013</u>	<u>60,119</u>
Actuarial assumptions		
Discount rate (% p.a.)	10.40%	13%
Future salary increases (% p.a.)	5%	5%
Future pension increases (% p.a.)	3%	3%
Retirement age (years)	<u>60</u>	<u>55</u>

Defined contribution scheme

The Company also makes contributions to a statutory provident fund, the National Social Security Fund (NSSF). Contributions are determined by local statute. For the year ended 31 December 2020, the Group contributed KShs 40,753,000 (2019 – KShs 37,700,000) to the defined contribution pension scheme and KShs 537,000 (2019 – KShs 754,000) for NSSF which has been charged to the statement of profit or loss. The Company contributed KShs 35,847,000 (2019 – KShs 34,871,000) to the defined contribution pension scheme and KShs 375,000 (2019 – KShs 373,000) to the NSSF.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

22. UNQUOTED EQUITY INSTRUMENTS

		GROUP		COMPANY	
		2020	2019	2020	2019
		KShs '000	KShs '000	KShs '000	KShs '000
At cost					
At 1 January		205,733	202,231	205,733	202,231
Addition		3,941	3,502	3,941	3,502
At 31 December		209,674	205,733	209,674	205,733
	Share holding				
Industrial Development Bank	3.5%	24,474	24,474	24,474	24,474
Africa Reinsurance Limited	0.2%	35,491	38,993	35,491	38,993
African Trade Insurance Agency	0.6%	87,506	87,506	87,506	87,506
Uganda Reinsurance Company Limited	11.5%	62,203	54,760	62,203	54,760
		209,674	205,733	209,674	205,733

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

The fair value measurement of the above unquoted equity instruments has not been disclosed. The carrying amounts of the above financial instruments amounting to KShs. 209.6 million (2019: KShs. 205 million) may therefore differ from their fair values. The valuation has not been done by management because the significant inputs that would be used by management for the valuation are not based on observable market data neither does management hold any recent price quotations of all of the above investments. Management would therefore be required to make significant judgements and assumptions, which may or may not result in correct fair value measurements.

The instruments have therefore been stated at cost less any impairment loss in the year.

23. CORPORATE BONDS-HELD TO MATURITY

		GROUP		COMPANY	
		2020	2019	2020	2019
		KShs '000	KShs '000	KShs '000	KShs '000
At 1 January		156,450	475,912	156,450	475,912
Redemptions during the year		(155,512)	(305,925)	(155,512)	(305,925)
Interest received		(11,620)	(61,056)	(11,620)	(61,056)
Interest earned		10,682	47,519	10,682	47,519
		-	156,450	-	156,450

		GROUP		COMPANY	
		2020	2019	2020	2019
		KShs '000	KShs '000	KShs '000	KShs '000
Made up as below:	Maturity				
Centum Investment Ltd	08-Jun-20	-	81,030	-	81,030
NCBA Bank Kenya PLC	20-Dec-20	-	75,420	-	75,420
KENGEN Limited	31-Oct-19	-	-	-	-
Consolidated Bank of Kenya Limited	24-Jul-19	-	-	-	-
		-	156,450	-	156,450

The average effective interest rate on the corporate bonds at 31 December 2020 was 7% (2019: 12 %).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
24. RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Local companies	1,126,529	2,190,612	1,126,529	2,190,612
International companies	5,169,960	3,182,911	3,799,149	2,339,711
Less: provision for doubtful receivable	(2,975,834)	(2,748,021)	(2,532,581)	(2,453,899)
	3,320,655	2,625,502	2,393,097	2,076,424

The movement in provisions is as below:

Balance brought forward	(2,748,021)	(2,004,593)	(2,453,899)	(1,705,142)
Additional provision	(227,813)	(743,428)	(78,682)	(748,757)
Balance carried forward	(2,975,834)	(2,748,021)	(2,532,581)	(2,453,899)

25. PREMIUM AND LOSS RESERVES

International companies	405,696	567,066	324,516	388,694
Local companies	74,477	69,438	74,477	69,439
Provision for impaired balances	(326,879)	(354,536)	(271,655)	(299,313)
	153,294	281,968	127,338	158,820

The movement in provisions is as below:

At 1 January	(743,992)	(743,992)	(688,769)	(688,769)
Write off during the year	417,113	389,456	417,114	389,456
At 31 December	(326,879)	(354,536)	(271,655)	(299,313)

Reconciliation of provisions in the statement of profit or loss is as below:

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Provision on receivables arising out of reinsurance arrangements (note 24)	(227,813)	(743,428)	(78,682)	(748,757)
Provision on premium and loss reserves	-	-	-	-
At 31 December	(227,813)	(743,428)	(78,682)	(748,757)

26. OTHER RECEIVABLES

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Staff advances	60,070	55,221	46,879	42,869
Prepayments	15,066	7,996	5,696	5,620
Gross rental receivables	341,341	306,461	341,341	306,461
Dividends receivable	6,346	-	6,346	-
Receivable from KURA*	300,150	300,150	300,150	300,150
Other receivables	15,763	12,404	10,654	5,701
Rental receivables provisions	(245,551)	(143,831)	(245,551)	(143,831)
	493,185	538,401	465,515	516,970

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

26. OTHER RECEIVABLES (continued)

The movement in Rental receivables provisions is as below:

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	(143,831)	(97,375)	(143,831)	(97,375)
Additional provision	(101,720)	(46,456)	(101,720)	(46,456)
At 31 December	(245,551)	(143,831)	(245,551)	(143,831)

Other trade receivables are non-interest bearing and generally on terms of 30 to 120 days.

27. QUOTED EQUITY INSTRUMENTS – AVAILABLE FOR SALE

GROUP and COMPANY	2020	2019
	KShs '000	KShs '000
At 1 January	1,565,305	1,599,431
Additions	27,134	152,911
Fair value gain loss	(396,063)	(53,952)
Disposal during the year	(10,255)	(133,085)
At 31 December	1,186,121	1,565,305

28. GOVERNMENT SECURITIES – GROUP and COMPANY

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	17,112,941	14,314,752	17,112,941	14,314,752
Purchases during the year	2,692,338	11,347,232	2,602,673	11,226,222
Maturities during the year	(2,675,246)	(8,739,837)	(2,554,235)	(8,739,837)
Fair value gain on available-for-sale government securities	5,444	69,316	5,444	69,316
Interest received	(2,022,115)	(1,816,782)	(1,996,397)	(1,816,782)
Interest earned ⁵	2,144,700	1,938,260	1,989,827	1,918,794
	17,258,062	17,112,941	17,160,253	16,972,465
Maturing:				
Within 3 months	24,745	-	24,746	-
Within 4 to 12 months	644,241	756,793	546,431	756,793
Within 1 to 5 years	3,158,082	3,524,064	3,158,082	3,524,064
Over 5 years	13,430,994	12,832,084	13,430,994	12,691,608
At 31 December	17,258,062	17,112,941	17,160,253	16,972,465

Treasury bonds amounting to Kshs 2,319,550,000 (2019 – KShs 2,319,550,000) are held under lien by the Commissioner of Insurance as required by the Kenyan Insurance Act. The weighted average effective interest rate on the government securities was 11.98% (2019 – 12.25%).

29. INVENTORY

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
As 31 December	14,265	22,071	14,152	21,973

Inventories comprise stationery and repair materials.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
30. DEFERRED ACQUISITION COSTS

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs'000	KShs'000	KShs '000	KShs '000
At 1 January	1,408,838	1,363,134	1,285,548	1,249,752
Deferred during the year	737,689	1,408,838	654,771	1,285,548
Amortized during the year	(1,408,838)	(1,363,134)	(1,285,548)	(1,249,752)
At 31 December	737,689	1,408,838	654,771	1,285,548

31. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Deposit with financial institutions	8,306,552	6,691,760	7,585,300	6,143,257
Deposit with offshore fund managers	-	94,875	-	94,875
	8,306,552	6,786,635	7,585,300	6,238,132

The weighted average effective interest rate on deposits with financial institutions was 7.42% (2019– 5.7 %).

32. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Cash and bank balances	2,453,326	584,670	136,934	352,968

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Short term bank deposits	8,306,552	6,786,635	7,585,300	6,238,132
Cash and bank balances	2,453,326	584,670	136,934	352,968
	10,759,878	7,371,305	7,722,234	6,591,100

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

33. LONG TERM REINSURANCE LIABILITIES– GROUP and COMPANY

The long-term reinsurance liabilities, which comprise Ordinary Life Fund and Superannuation Fund, were established in respect of the Company's long-term business as required under Section 45 of the Kenyan Insurance Act. Income arising from the investment of the assets of the statutory funds is credited to and forms part of these funds. Transfers from the statutory funds to the profit or loss are done upon the recommendation of the Actuary. The latest actuarial valuation of the life fund was carried out by Zamara Actuaries, Administrators & Consultants Limited, consulting actuaries as at 31 December 2020.

Reconciliation of statutory fund to the actuarial surplus

The actuarial surplus resulting from the actuarial valuation carried out by the Consulting Actuaries as at 31 December 2020 is summarised as follows:

	Group		Company	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Life fund	11,583,741	10,701,725	11,540,944	10,658,949
Less: actuarial value of policy holder liabilities	(2,721,542)	(2,687,032)	(2,721,542)	(2,687,032)
Actuarial surplus	8,862,199	8,014,693	8,819,402	7,971,917
Less deferred tax liability (note 36)	(2,474,729)	(2,260,510)	(2,474,729)	(2,260,510)
Statutory reserve	6,387,470	5,754,183	6,344,673	5,711,407

The movement in the actuarial value of policy holder liabilities is as follows:

	Group		Company	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
As at 1 January	2,687,032	2,629,125	2,687,032	2,629,125
Increase during the year	34,510	57,907	34,510	57,907
	2,721,542	2,687,032	2,721,542	2,687,032

Valuation assumptions

- (i) The significant valuation assumptions for the actuarial valuation as at 31 December 2020 are summarised below. The same assumptions were used in 2019.

Actuarial basis and method of valuation

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

The actuary has established actuarial reserves of 95% of the gross annual premiums written for all types of compulsory cessions ordinary life business at the valuation date.

Treaty business and Company life business actuarial reserves has been established to 95% of the annual premiums at the valuation date. For supplementary benefits, the actuarial reserve has been established to equal to 100% of annual premiums at the valuation date.

In addition to establishing actuarial reserves for ordinary life business, Company life business and supplementary benefits additional actuarial reserves namely AIDS reserve, claims equalisation reserve and contingency reserve have been established.

Investment returns

The rate of return on the life fund assets in 2020 was 12.6% per annum (2019 – 12.4% per annum).

FOR THE YEAR ENDED 31 DECEMBER 2020
34. SHORT TERM INSURANCE CONTRACT LIABILITIES
GROUP
YEAR 2020

	Gross	Reinsurance	Net
	KShs'000	KShs'000	KShs'000
As at 1 January 2020	6,601,842	(396,659)	6,205,183
Movement in claims reserves	3,206,618	(70,899)	3,135,719
Total Claims reserves	9,808,460	(467,558)	9,340,902
As at 1 January 2019	6,785,111	(782,165)	6,002,946
Movement in claims reserves	(183,269)	385,506	202,237
Total short-term contract liabilities as at 31 December 2019	6,601,842	(396,659)	6,205,183

COMPANY
YEAR 2020

As at 1 Jan 2020	6,058,529	(351,638)	5,706,891
Movement in claims reserves	3,050,392	(110,760)	2,939,632
Total Claims reserves	9,108,921	(462,398)	8,646,523
As at 1 Jan 2019	6,245,803	(691,963)	5,553,840
Movement in claims reserves	(187,274)	340,325	153,051
Total short-term contract liabilities as at 31 December 2019	6,058,529	(351,638)	5,706,891

The Chain Ladder method and the Bornhuetter Ferguson method were used to project the claim reserves. Gross paid claims were used for all projections. The net IBNR was then calculated using historical reinsurance recoveries over the last three years.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

34. SHORT TERM INSURANCE CONTRACT LIABILITIES (continued)

The claims development for the above insurance liabilities is shown below:

Claims development.

GROUP

Underwriting Year	2014& Prior	2015	2016	2017	2018	2019	2020	Total
At the end of accident year	6,132,473	2,128,158	2,218,720	1,983,229	1,899,289	1,773,312	1,217,972	17,353,153
One year later	9,379,430	2,096,456	2,423,856	3,502,669	5,330,836	3,651,571	-	26,384,818
Two years later	3,405,819	1,146,335	1,361,347	1,599,363	2,581,679	-	-	10,094,543
Three years later	1,682,677	487,585	401,555	801,142	-	-	-	3,372,959
Four years later	1,205,690	303,677	280,689	-	-	-	-	1,790,056
Five years later	497,909	139,851	-	-	-	-	-	637,760
Six years later	1,547,475	-	-	-	-	-	-	1,547,475
Current estimate of cumulative claims	24,177,554	6,611,560	7,212,437	8,859,202	11,441,181	8,915,064	3,304,668	70,521,666
Less cumulative payments to date	23,851,473	6,302,062	6,686,167	7,886,403	9,811,804	5,424,883	1,217,972	61,180,764
Total net liability included in the statement of financial position	326,081	309,498	526,270	972,799	1,629,377	3,490,181	2,086,696	9,340,902

KURA* -Kenya Urbans Roads Authority. Refer to note 18 for more details

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
34. SHORT TERM INSURANCE CONTRACT LIABILITIES (continued)

COMPANY

Underwriting Year	2014& Prior	2015	2016	2017	2018	2019	2020	Total
At the end of accident year	6,040,026	2,119,275	2,216,206	1,916,170	1,839,307	1,724,732	1,159,651	17,015,367
One year later	9,301,113	2,046,619	2,325,666	3,392,611	5,218,653	3,537,298	-	25,821,960
Two years later	3,327,616	1,110,047	1,317,119	1,489,791	2,522,631	-	-	9,767,204
Three years later	1,618,801	466,257	384,929	722,570	-	-	-	3,192,557
Four years later	1,191,555	299,361	264,258	-	-	-	-	1,755,174
Five years later	452,878	132,829	-	-	-	-	-	585,707
Six years later	1,529,485	-	-	-	-	-	-	1,529,485
Current estimate of cumulative claims	23,763,226	6,460,795	6,995,186	8,421,367	11,088,411	8,491,832	3,093,160	68,313,977
Less cumulative payments to date	23,461,474	6,174,388	6,508,178	7,521,142	9,580,591	5,262,030	1,159,651	59,667,454
Total net liability included in the statement of financial position	301,752	286,407	487,008	900,225	1,507,820	3,229,802	1,933,509	8,646,523

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

35. PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS-OUTSTANDING CLAIMS

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Local companies	207,662	397,870	207,662	397,870
International companies	1,394,555	1,410,004	922,475	1,167,061
	1,602,217	1,807,874	1,130,137	1,564,931

36. DEFERRED TAX LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30%.

The net deferred tax liability is attributable to the following items:

GROUP and COMPANY	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Excess depreciation over capital allowances	(94,593)	(92,746)	(94,593)	(92,746)
Leave pay provision	(12,428)	(11,284)	(12,428)	(11,284)
Defined benefit liability	(16,764)	(12,783)	(16,764)	(12,783)
Other provisions	(1,034)	(43,921)	(1,034)	(43,921)
Bad debts provisions	(1,035,604)	(964,705)	(1,052,277)	(964,705)
Provision for bonus	(22,803)	(44,056)	(22,803)	(44,056)
Gratuity	(9,976)	(6,728)	(9,976)	(6,728)
Tax loss	-	(41,942)	-	(58,614)
	(1,193,202)	(1,218,165)	(1,209,875)	(1,234,837)
Life fund actuarial surplus	2,474,729	2,260,510	2,474,729	2,260,510
Net deferred tax liability	1,281,527	1,042,345	1,264,854	1,025,673

The movement on the deferred tax account during the year was as follows:

At 1 January	1,042,345	1,083,783	1,025,673	1,083,783
Charge for the year (note 11)	239,182	13,182	239,181	(3,490)
Prior year over provision (note 11)	-	(54,620)	-	(54,620)
At 31 December	1,281,527	1,042,345	1,264,854	1,025,673

37. OTHER PAYABLES

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Purchasers deposits	-	18,883	-	18,883
Legal fees deposits	360	-	360	-
Rental deposits	155,143	148,540	155,143	148,540
Accrued leave pay	75,634	63,396	41,426	37,613
Accounts payable	249,339	217,227	202,189	194,491
Other creditors and accruals	229,252	257,915	204,094	228,984
	709,728	705,961	603,212	628,511

Other payables are non-interest bearing and have an average term of not more than 1 year.

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

38. UNEARNED PREMIUMS -SHORT TERM BUSINESS

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	5,836,221	4,922,951	5,409,247	4,572,660
Increase/ (decrease) in the year	(3,181,017)	913,270	(3,012,933)	836,587
Additional unexpired risk reserve (AURR)	196,126	-	196,126	-
At 31 December	2,851,330	5,836,221	2,592,440	5,409,247

The significant drop is due to change in estimate from the 40% of written premiums to 8th and 24th method of written premiums. The effect on future periods is impracticable to estimate.

39. DIVIDENDS – GROUP and COMPANY

The directors propose the payment of a first and final dividend of KShs 0.20 (2019 – KShs 0.10) per share totalling to KShs million in respect of the year ended 31 December 2020 Kshs 560 million (2019 – KShs 280 million). The proposed dividends are subject to approval by shareholders at the Annual General Meeting and therefore the cash dividend has not been included as a liability in these financial statements.

The cash dividend is payable subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470, Laws of Kenya.

Dividends per share is summarised as follows:

	2020	2019
Proposed dividends per share:		
Dividends appropriations (KShs '000')	559,959	279,980
Number of shares at 31 December	2,799,796,272	2,799,796,272
Dividends per share	0.20	0.10
Dividends per share declared and paid:		
Dividends appropriations (KShs '000')	279,980	314,977
Number of shares at 31 December	2,799,796,272	699,949,068
Dividends per share	0.10	0.45

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

40. NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Profit before tax	3,983,592	4,176,194	3,750,291	4,041,808
Adjustment for:				
Depreciation (note 15)	31,180	33,665	25,596	27,301
Unrealised foreign exchange losses	-	(486)	-	(125)
Interest on corporate bonds (note 7)	(10,682)	(47,519)	(10,682)	(47,519)
Interest on government securities (note 7)	(2,095,441)	(1,899,495)	(2,081,043)	(1,880,418)
Interest on staff mortgages and loans (note 7)	(25,474)	(22,931)	(25,000)	(22,763)
Interest on deposits with financial institutions (note 7)	(585,440)	(448,562)	(544,056)	(435,129)
Interest on commercial mortgages (note 7)	(32,739)	(47,473)	(32,739)	(47,473)
Dividend income (note 7)	(88,712)	(98,849)	(88,712)	(98,849)
Provision for doubtful debts (note 24)	227,813	743,428	78,682	748,757
Amortisation of software (note 16)	191,617	202,813	191,617	202,813
Realised accumulated fair value gain on available for sale quoted equity instruments (note 7)	-	(137,457)	-	(137,457)
Gain on disposal of government securities	-	(93,383)	-	(93,383)
Provision on non-current assets held for sale	-	-	-	-
Receivable on sale of Mbagathi plot to NLC*	-	300,150	-	300,150
Fair value gain on investment properties (note 18)	36,403	(2,176,592)	36,403	(2,176,592)
Defined benefit loss recognised in profit or loss	13,269	12,048	13,269	12,048
Share of profit of associate (note 19)	(292,844)	(587,444)	(292,844)	(587,444)
Operating profit before working capital changes	1,352,542	(91,893)	1,020,782	(194,275)
Short term reinsurance contract liabilities	3,135,719	202,237	2,939,632	153,051
Unearned premiums	(2,984,891)	913,270	(2,816,807)	836,587
Other payables	3,767	(39,908)	(25,298)	(80,259)
Long term reinsurance contract liabilities	34,510	57,907	34,510	57,907
Mortgage loans	(99,450)	57,123	(97,561)	57,123
Other receivables	45,216	(313,595)	51,454	(304,844)
Increase in inventories	7,806	(8,481)	7,821	(8,481)
Deferred acquisition costs (note 31)	671,149	(45,704)	630,777	(35,796)
Premium and loss reserves	128,674	(10,313)	31,482	11,911
Payables arising out of reinsurance arrangements	(361,346)	1,258,408	(645,086)	1,124,320
Increase in due to/ from related party	-	-	27,681	1,159
Receivables arising out of reinsurance arrangements	(922,966)	304,246	(395,355)	471,019
Net cash generated from operations	1,010,730	2,283,297	764,032	2,089,422

NCL*-National Land Commission

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

41. RELATED PARTIES

The Group has various related parties, primarily by virtue of being shareholders and common directorships. The other related parties include the staff of the Group. The following transactions were carried out with related parties.

	GROUP		COMPANY	
	2020	2019	2020	2019
	KShs'000	KShs'000	KShs '000	KShs '000
Transactions and balances with directors and staff				
Directors' remuneration				
Fees	9,600	9,600	9,600	9,600
Other emoluments	19,467	10,917	19,467	10,917
	<u>29,067</u>	<u>20,517</u>	<u>29,067</u>	<u>20,517</u>
Key management remuneration				
Salaries and other short-term benefits	90,186	75,897	65,674	58,594
Post-employment benefits	7,542	-	-	-
	<u>97,728</u>	<u>75,897</u>	<u>65,674</u>	<u>58,594</u>
Loans to staff	545,217	454,382	534,043	445,072

Interest income on these loans was KShs 25,020,054(2019: KShs 22,930,565). The effective interest on the loans is 5 % (2019 – 5%). Staff mortgages and car loans are fully secured.

	GROUP		COMPANY	
	2020	2019	2020	2019
	Ksh'000	KShs '000	KShs '000	KShs '000
Transaction with associate company, ZEP Re				
Net premium written	620	901	620	901
Claims incurred	5,348	-	5,348	-

Reinsurance policies taken out by related parties are in the ordinary course of business at terms and conditions similar to those offered to other clients.

(c) Outstanding balances with related parties:

	Relationship	COMPANY	
		2020	2019
		KShs '000	KShs '000
Due from:			
Amount due from Kenya Reinsurance Corporation Zambia and Uganda subsidiary	Subsidiary	65,311	85,508
Due to:			
Amount due to Kenya Reinsurance Corporation Cote d'Ivoire	Subsidiary	28,454	35,938

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Outstanding balances are current and payable on demand.

42. INVENTORY PROPERTY – GROUP and COMPANY

	2020	2019
	KShs '000	KShs '000
Cost	936,077	936,077
Less: Impairment provision	(936,077)	(936,077)
The Inventory Property are listed below:		
L.R no:209/11976- Mbagathi plot	-	-
L.R. No. 27269 Ngong Road	350,000	350,000
Land LR No.12236 Kiambu Road	563,077	563,077
Land LR MN-1-9141- Shanzu Mombasa	23,000	23,000
	<u>936,077</u>	<u>936,077</u>

KENYA REINSURANCE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

42. INVENTORY PROPERTY – GROUP and COMPANY (continued)

There was no movement in impairment provision for inventory. The impairment allowance mainly relates to inventory properties that are currently in dispute and are subject to ongoing court cases.

As disclosed in note 18 and 42 to the group and company financial statements, the company has made investments in land out of which four (4) parcels of lands located in various places and towns and registered in the Corporations' have their ownership to title disputed. The Corporation has fully provided for the parcels in dispute in financial statements. The ownership dispute/ restrictions is as outlined below:

(a) L.R. No. 27269 Ngong Road

The Corporation invested Kshs.350, 000,000 in L.R. No. 27269 of approximately 59.87 hectares along Ngong Road which is a subject of dispute between the Corporation and Kenya Forest Service. The dispute of ownership of LR No.27269 is before the National Land Commission. The National Land Commission requested for the confirmed of boundaries from the Director of Surveys which have been forwarded to the Commission for verification. Although the Corporation has obtained confirmation from the Director of Survey that the Corporation land is distinct from that of Kenya Forest Service, the matter remains unresolved until the National Land Commission adjudicate and give its verdict. The Corporation is not realizing the benefit that accrue from ownership of land not will management plan to make long term investment plans.

(b) Land LR No.12236 Kiambu Road

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

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

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

43. CONTINGENT LIABILITIES

The Kenya Revenue Authority made a final assessment relating to withholding tax on cedant acquisition costs and brokerage fees as indicated below:

	Principal	Interest	Penalty	Total
	KShs '000	KShs '000	KShs '000	KShs '000
Withholding tax	742,215	456,052	74,221	1,272,488

The group is involved in a tax claim dispute with KRA arising from the assessment done from year 2009 to 2012. KRA demanded Kshs.1, 272,488,000 relating to withholding tax on cedant acquisition costs and brokerage fees. The outcome of the tax remains uncertain even though the company continues to hold discussions with KRA in an attempt to resolve the matter in contention with the assistance of professional advisers. Management are of the opinion that this will not be payable and as a result, no provision has been made in these financial statements

44. EVENTS AFTER REPORTING DATE

There were no events after the reporting date which could have a material impact on the financial statements for the Group or the Company which have not been adequately adjusted for.

45. INCORPORATION

The Company is incorporated and domiciled in Kenya under the Companies Act.

46. CURRENCY

The financial statements are presented in thousands of Kenya shillings (KShs '000).

Appendix I

KENYA REINSURANCE CORPORATION LIMITED SHORT TERM REVENUE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2020
INFORMATION NOT SUBJECT TO AUDIT

	Aviation		Engineering		Fire domestic		Fire industrial		Liability		Marine		Motor private		Motor commercial		Personal accident		Theft		Workmen compensation		Medical		Miscellaneous		Total General 31.12.2020		Total General 31.12.2019				
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs				
Gross premium	73,399,337	1,221,388,045	4,014,535,548	732,130,830	215,143,875	771,811,805	131,010,352	131,010,352	626,587,983	305,483,471	39,302,033	12,082,335	3,193,512,264	5,334,733,770	16,671,121,648	15,477,936,293																	
Movement in unearned premium	(9,181,129)	(216,764,461)	(253,837,192)	994,232,150	(32,297,910)	128,285,475	(685,092,854)	99,178,401	2,870,696,900	(80,544,931)	(56,642,848)	(44,560,513)	(171,771,096)	398,630,620	2,984,891,125	(913,269,811)																	
Earned premiums	64,218,208	1,004,623,584	3,760,698,356	1,726,362,980	182,845,965	900,097,280	(554,082,502)	725,766,384	3,176,180,371	(41,242,898)	(41,242,898)	(44,560,513)	3,021,741,168	5,733,364,390	19,656,012,773	14,564,666,482																	
Less: Retrosession premiums	20,010,132	332,152,674	38,507,644	19,520,005	70,217	64,347,219	11,213,128	-	37,250,621	-	-	-	-	80,351,412	603,423,052	97,905,570																	
Net earned premiums	44,208,076	672,470,910	3,722,190,712	1,706,842,975	182,775,748	835,750,061	(565,295,630)	725,766,384	3,138,929,750	(41,242,898)	(41,242,898)	(44,560,513)	3,021,741,168	5,653,012,978	19,052,589,721	13,585,612,912																	
Claims paid	16,949,312	511,099,884	1,861,013,399	316,179,773	36,114,144	253,952,587	100,362,479	649,330,081	115,471,400	3,397,439	3,397,439	3,025,644	2,297,130,939	3,348,524,636	9,512,551,717	10,312,639,008																	
Claims recoverable	-	(129,002,041)	(76,231,556)	-	-	(84,796,233)	-	-	(95,673,305)	-	-	-	-	-	-	-																	
Claims reserves at 01.01.2020	(7,350,329)	(440,233,442)	(16,583,810)	(2,310,060,589)	(115,696,390)	(373,736,236)	(2,551,085)	(913,112,802)	(15,082,827)	(75,176,620)	(75,176,620)	(39,205)	(6,111,318,002)	(1,324,419,113)	(6,205,183,250)	(6,002,945,963)																	
Claims reserves at 31.12.2020	21,370,556	893,230,177	34,060,119	3,003,036,061	73,847,837	344,532,112	82,331,140	1,941,303,386	57,950,787	9,203,210	9,203,210	2,478,682	1,424,721,963	1,452,835,754	9,340,901,784	6,205,183,250																	
Net claims incurred	30,969,539	835,094,578	1,802,258,152	1,009,155,245	(5,734,409)	139,952,230	180,142,534	1,677,511,665	62,666,055	(62,575,971)	(62,575,971)	5,465,121	3,110,721,100	3,476,941,277	12,263,567,116	10,161,120,941																	
Commissions	17,748,756	367,708,124	1,179,321,255	202,432,353	64,375,376	243,348,703	12,802,345	89,312,776	111,979,202	9,442,650	9,442,650	3,275,164	786,712,399	1,024,471,915	4,112,931,018	3,537,877,063																	
Commissions recoverable	-	15,965,986	1,637,535	5,179,388	604,813	1,638,125	3,205,842	-	785,636	-	-	-	-	4,958,084	33,975,409	25,221,172																	
Commissions movement	(71,545)	(54,909,591)	(7,494,888)	207,458,736	(14,773,342)	42,149,386	(162,198,445)	(57,679,854)	755,177,843	(1,948,649)	(1,948,649)	(21,247,941)	10,968,166	(24,281,705)	671,148,171	(45,704,000)																	
Net commissions	17,677,211	296,832,547	1,170,188,832	404,711,701	48,997,221	283,859,964	(152,601,942)	31,632,922	866,371,409	7,494,001	7,494,001	(17,972,777)	797,880,565	995,232,126	4,750,103,780	3,466,861,891																	
Provision for bad debts	1,003,011	16,690,423	54,859,139	10,004,661	2,939,968	10,546,907	1,790,273	8,562,405	4,174,471	537,067	537,067	165,107	43,639,752	72,899,816	227,813,000	743,427,999																	
Management expenses	7,324,622	121,884,007	400,616,071	73,060,351	21,469,506	77,020,171	13,073,705	62,528,084	30,484,619	3,922,004	3,922,004	1,205,713	318,685,019	532,360,483	1,663,634,355	1,598,421,535																	
Total expenses	56,974,383	1,270,501,555	3,427,922,194	1,496,931,958	67,672,286	511,379,272	42,404,570	1,780,235,076	963,696,554	(50,622,899)	(50,622,899)	(11,136,836)	4,270,726,436	5,077,433,702	18,904,118,251	15,969,832,366																	
Underwriting profit/(loss)	(12,766,307)	(598,030,645)	294,268,518	209,911,017	115,103,462	324,370,789	(607,700,200)	(1,054,468,692)	2,175,233,196	9,380,001	9,380,001	(33,433,677)	(1,248,985,268)	575,579,276	1,484,471,470	(2,384,219,454)																	
loss Ratio	70%	124%	48%	59%	(3)%	17%	(32)%	231%	2%	152%	152%	(12)%	103%	62%	64%	75%																	

This short-term business revenue account was approved by the board of directors on31st.May..2021 and were signed on its behalf by:



Jadhah Mwarania
Principal Officer



Chiboli Shakaba
Director



Michael O'Monari
Director

Appendix II

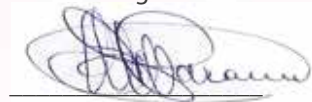
KENYA REINSURANCE CORPORATION LIMITED

LONG TERM REVENUE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2020
INFORMATION NOT SUBJECT TO AUDIT

GROUP LONG TERM REVENUE ACCOUNT AS AT 31 DECEMBER 2020	Ordinary Kshs '000	Super Annuation Kshs '000	2020 Kshs '000	2019 Kshs '000
Gross earned premiums	73,363	1,790,736	1,864,099	2,043,407
Less: Retrocessions premiums	(5,237)	(61,188)	(66,425)	(98,402)
Net earned premium	68,126	1,729,548	1,797,674	1,945,005
Net claims incurred	(7,679)	(1,211,822)	(1,219,501)	(842,912)
Change in actuarial liability	(1,358)	(33,152)	(34,510)	(57,907)
Net cedant acquisition costs	(20,718)	(505,702)	(526,420)	(599,964)
Management expenses	(7,777)	(189,825)	(197,602)	(238,315)
Underwriting surplus	30,594	(210,953)	(180,359)	205,907
Fair value gains	(202)	(4,925)	(5,127)	315,277
Investment income	41,603	1,015,502	1,057,105	848,013
Increase in life fund	71,995	799,624	871,619	1,369,197


This long-term business revenue account was approved the board of directors on31st May...2021 and were signed on its behalf by:



Jadhiah Mwarania
Principal Officer



Chiboli Shakaba
Director



Michael O. Monari
Director

(Footnotes)

1. The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.
2. The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.
3. The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.
4. The comparatives are as disclosed in the segment reporting section in Note 5 to the financial statements.
5. Interest income recognised in Total profit or loss from investments in Government securities amounted to KShs 2,059,273 (2019: KShs 1,938,260) of which KShs 41,185 (2019: KShs 38,765) related to those held as available for sale.



PROXY FORM

**The Corporation Secretary,
Kenya Reinsurance Corporation Limited,
P.O. BOX 30271-00100
NAIROBI, KENYA**

I/WE

_____ of _____

being a *member/members of **KENYA REINSURANCE CORPORATION LIMITED**, hereby appoint

_____ of _____

or failing him/ her _____ of _____

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held electronically **on Wednesday, 30th June 2021 at 11:00 a.m.** and at any adjournment thereof.

Signed _____ day of _____, 2021

Signature(s)

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the meeting.

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	WITHHELD
Approval of the Report and Financial Statements for the Year ended 31 st December, 2020			
To approve a dividend of 0.20 per share			
Election of Directors: To elect the following candidates:			
1.			
2.			
3.			
To approve directors' Remuneration Report			
To authorize directors to fix auditor's remuneration			
To authorize directors to appoint members of the audit committee			



ELECTRONIC COMMUNICATIONS PREFERENCE FORM

Please complete in [BLOCK CAPITALS]

Full name of member(s): _____

Address: _____

CDSC No (if known) _____

(This can be found on your CDSC Statement)

Mobile Number _____

Date: _____

Signature: _____

Please tick ONE of the boxes below and return to Image Registrars at P.O. Box 9287- 0100 Nairobi, 5 th floor, Absa Towers (formerly Barclays Plaza), Loita Street: Approval of Registration	
I/WE approve to register to participate in the virtual Annual General Meeting to be held on 30 th June 2021	
Consent for use of the Mobile Number provided	
I/We would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM	

Notes:

1. If a member is unable to attend personally, this proxy form should be completed and returned to reach the Company's share registrar, Image Registrars Limited, 5th Floor, Absa Towers, Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to info@image.co.ke to arrive not later than Sunday, 27th June 2021 at 11:00 a.m. i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. To appoint a proxy, insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the proxy form will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. To be valid, the proxy form should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to Image Registrars, Barclays Plaza, 5th Floor, Loita Street and address P.O. Box 9287-00100 Nairobi not later than 11.00 am on Sunday, 27th June 2021 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
6. In the case of a company being a shareholder then this proxy form must be executed under its common
7. Seal or signed on its behalf by an officer of that company or an authorized attorney for that company.
8. A "vote withheld" option has been included on the proxy form. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.





FOMU YA UWAKILISHI

**Katibu wa Shirika,
Kenya Reinsurance Corporation Limited, P.
SLP 30271 00100
NAIROBI, KENYA**

MIMI/SISI

_____ wa _____

kwa kuwa ni *mwanachama/wanachama wa **KENYA REINSURANCE CORPORATION LIMITED**, hapa tunateua

_____ wa _____

au kutompigia kura _____ wa _____

kama mwakilishi *wangu/wetu *kunipigia/kutupigia kura kwa niaba *yangu/yetu katika Mkutano Mkuu wa Mwaka wa Shirika utakaofanyika kielektroniki siku ya **Jumatano tarehe 30 Juni 2021 saa 5.00 asubuhi**, na katika uahirishaji wowote baadaye.

Imetiwa saini leo _____ siku ya _____, 2021

Saini

MIMI/SISI tunamwelekeza mwakilishi wangu/wetu kupiga kura kuhusu maazimio yafuatayo NILIYOONYESHA/TULIVYOONYESHA kwa kutia alama kwenye kisanduku kinachofaa kwa 'X'. Ikiwa hakuna mwelekeo wowote uliotolewa, mwakilishi wangu/wetu atapiga kura au kutopiga kura yake katika uamuzi wake na MIMI/SISI tunaidhinisha mwakilishi wangu/wetu kupiga kura (au kutopiga kura yake) anavyofikiria ni sawa kwa uhusiano na jambo lolote jingine lililowekwa inavyofaa kabla ya Mkutano huo.

Tafadhali tia alama kwa uwazi kwenye kisanduku kinachofuata ili kumpa mwakilishi wako maagizo ya jinsi ya kupiga kura

AZIMIO	NDIYO	LA	USIPIGE KURA
Uidhinishaji wa Ripoti na Taarifa za Kifedha za Mwaka uliomalizikia tarehe 31 Desemba, 2020			
Kuidhinisha mgao wa 0.20 kwa kila hisa			
Uchaguzi wa Wakurugenzi: Kuwachagua wagombea wafuatao:			
1.			
2.			
3.			
Kuidhinisha Ripoti ya Takrima ya wakurugenzi			
Kuwaidhinisha wakurugenzi kutatua takrima ya mkaguzi wa hesabu			
Kuwaidhinisha wakurugenzi kuteua wanachama wa kamati ya ukaguzi			



FOMU YA MAREJELEO YA MAWASILIANO YA KIELEKTRONIKI Tafadhali kamilisha kwa **HERUFI KUBWA**

Jina kamili la mwanachama (wanachama):

Anwani: _____

Nambari ya CDSC (ikiwa inajulikana) _____
(Hii inaweza kupatikana kwenye taarifa yako ya CDSC)

Nambari ya Simu ya rununu _____
Tarehe: _____

Saini: _____

Tafadhali weka alama kwenye MOJAWAPO ya visanduku vinavyofuata na kurudisha kwa Msajili wa Taswira katika S.L.P 9287-00100 Nairobi, orofa la 5, Absa Towers (iliyokuwa Barclays Plaza), Loita Street: Uidhinishaji wa Usajili	
MIMI/SISI tunaidhinisha kujisajili ili kushiriki katika Mkutano Mkuu wa Mwaka wa njia ya mtandaoni utakaofanyika tarehe 30, Juni 2021.	
Ridhaa ya matumizi ya Nambari ya Simu ya Mkononi iliyotolewa	
MIMI/SISI tutatoa ridhaa yangu/yetu ya matumizi ya nambari ya simu ya mkononi iliyotolewa kwa madhumuni ya kupiga kura katika AGM	

Vidokezo:

1. Ikiwa mwanachama hawezi kuhudhuria yeye mwenyewe, Fomu hii ya Uwakilishi inafaa kukamilishwa na kurudishwa ili kufikia msajili wa hisa wa Kampuni, Image Registrars Limited, Orofa la 5, Absa Towers, Loita Street, S.L.P 9287, GPO 00100, Nairobi, au kupitia barua pepe kwa info@image.co.ke kufika sio baada ya Jumapili tarehe 27 Juni 2021 saa 5:00 asubuhi. yaani saa 48 kabla ya mkutano kuanza au kuahirishwa kwa mkutano huono.
2. Ikiwa mwanachama ni shirika, Fomu ya Uwakilishi lazima iwe chini ya muhuri wake wa kawaida au chini ya mkono wa afisa au mwanasheria aliyeidhinishwa wa shirika kama hilo.
3. Kama mshikadau unastahiki kuteua wakilishi mmoja au zaidi kutekeleza haki zako zote au zozote za mshikadau kuhudhuria na kuongea na kupiga kura kwa niaba yako kwenye mkutano. Kumteua wakala, ingiza jina kamili la wakala wako katika nafasi iliyotolewa. Mwakilishi anahitaji kuwa mshikadau wa Kampuni.
4. Ukamilishaji na uwasilishaji wa fomu ya uwakilishi hautakuzuia kuhudhuria mkutano na kupiga kura kwenye mkutano wewe mwenyewe, ambapo katika hali hiyo kura zozote zilizopigwa na mwakilishi wako hazitajumuishwa.
5. Ili kuwa inayostahili fomu ya uwakilishi inafaa kukamilishwa, kutiwa saini na kuwasilishwa (pamoja na mamlaka ya mwanasheria au mamlaka mengine (ikiwa yapo) ambapo itatiwa saini au kutiwa alama ya idhinisho kuwa ni nakala ya mamlaka kama hayo) kwa Wasajili wa Taswira, Barclays Plaza, Orofa la 5, Loita Street na anwani ya S.L.P 9287-00100 Nairobi si baada ya saa 5.00 asubuhi Jumapili tarehe 27, Juni 2021 au, ikiwa kura itapigwa baada ya tarehe ya mkutano, au mkutano wowote ulioahirishwa, si chini ya saa 24 kabla ya muda ulioteuliwa wa kupiga kura ambayo inapigwa zaidi ya saa 48 baada ya siku ya mkutano au mkutano ulioahirishwa.
6. Ikiwa kampuni ni mshikadau basi fomu hii ya uwakilishi lazima itekelezwe chini ya
7. muhuri wake wa kawaida au kutiwa saini kwa niaba yake na afisa wa kampuni hilo au mwanasheria aliyeidhinishwa wa kampuni hilo.
8. Chaguo la "kutopiga kura" limejumuishwa kwenye fomu ya uwakilishi. Athari ya kisheria ya kuchagua chaguo hili kwenye azimio langu ni kuwa utahudumiwa kuwa hujapiga kura kwenye azimio hilo muhimu. Idadi ya kura kwa mujibu wa kura ambazo hazikupigwa, hata hivyo, zitahesabiwa na kurekodiwa, lakini hazitazingatiwa katika kupiga hesabu ya idadi ya kura za ndiyo au la kwa kila azimio.





KENYA RE
STRENGTH & WISDOM BEYOND BORDERS



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info@kenyare.co.ke

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