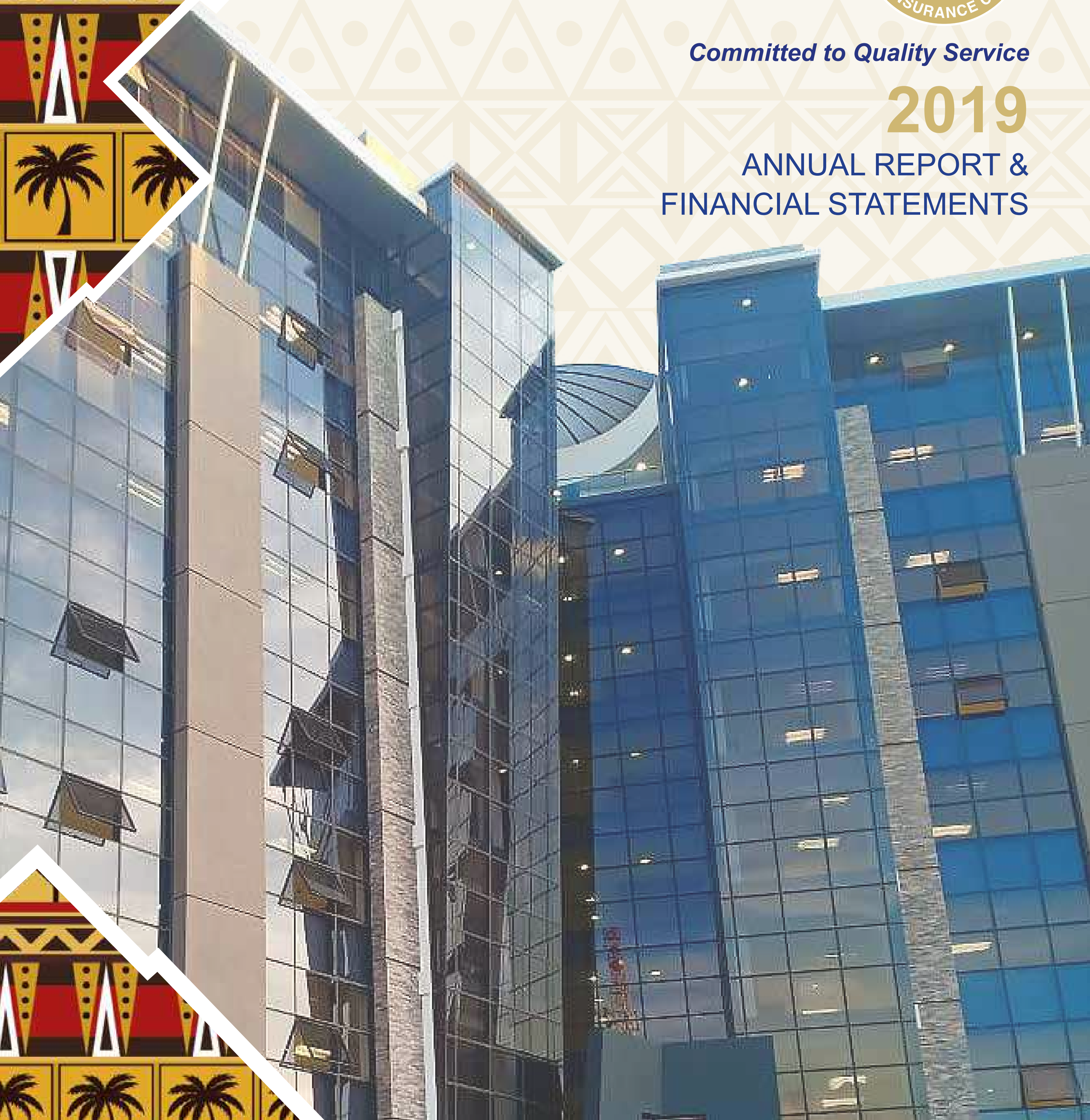
Committed to Quality Service

2019

ANNUAL REPORT & FINANCIAL STATEMENTS



ZEP-RE the Company

ZEP-RE is a specialized institution of the Common Market for Eastern and Southern Africa (COMESA) mandated to work with governments and local players in the region to develop the insurance business and support capacity building. 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.

Objectives of the Company

The core objectives of the Company are to foster the development of the insurance and reinsurance industry in the COMESA Region; promote the growth of national, regional underwriting and retention capacity; deepen insurance penetration by broadening access and financial inclusion and support regional economic development.

Our Value Proposition

ZEP-RE's operational activities are driven by the desire to provide excellent technical services to all our clients and to actively participate in and support the development of the region's insurance and reinsurance industry. Over the last 25 years, ZEP-RE has grown exponentially from a small re-insurance Company to become a respected regional Reinsurer within the COMESA region and beyond.

In achieving this remarkable success, ZEP-RE has been guided by its Vision to be a world class leading reinsurer in Africa, and its Mission to provide first class security and services to clients. The Company continuously strives to offer tailor-made solutions that are responsive to the needs of each individual client driven by its motto of Commitment to Quality Service. ZEP-RE offers state of the art solutions aimed to assist our clients and partners to extract more value from their operations.

Reinsurance is ZEP-RE's core business. The Company provides reinsurance cover across a broad spectrum of products both life and non-life.

Property

Fire and Engineering business are the classes the Company provides reinsurance under the property portfolio. Fire Reinsurance would include among others, the traditional fire and allied perils and Industrial all risks whilst engineering reinsurance include Contractors All Risks, Advance Loss of Profits, Electronic Equipment, Machinery Breakdown among others.

Casualty

ZEP Re provides casualty reinsurance capacity among others, the general liabilities resulting to bodily injuries and property damages, Professional liabilities, Personal Accident, Work Injury benefits among others.

Marine

The Company's reinsurance cover under marine include Hull and Cargo. Marine Hull being the loss of or damage to water vessels at the ports, sea, or inland waterways while Marine Cargo covers loss of or damage to Cargo whilst on transit on sea or land.

Aviation

Aviation reinsurance provides protection against Hull and related liability risks.

Life

The Company's life products cover a wide range of long and short-term life products including term insurance and variable life policies.

Medical

Medical insurance is one of the fastest growing sectors in the region and ZEP-RE has been at the forefront of providing technical support and capacity to underwrite reimbursement health products in the inpatient and outpatient sectors.

Motor

Motor insurance is another growing segment in the region and the Company provides reinsurance cover for all types of risks related to a motor vehicle. These risks would include mostly the statutory legal liabilities of injury, death, property damage as a result of an accident. Motor will also financial protection against loss or theft of vehicles, and losses brought by natural disasters.

Reinsurance Pools

Among the key founding mandates of the Company is the creation and administration of pools for various risks for the account and to the interest of the Region's insurance and reinsurance markets. In this respect the Company offers pool management services for various projects in the region including the COMESA Yellow Card Scheme, the COMESA RCTG (Regional Customs Transit Guarantee) Scheme and Retakaful business.

The COMESA Yellow Card Scheme

The Yellow Card is essentially a Regional third-party motor vehicle insurance Scheme that provides third party legal liability cover and compensation for medical expenses resulting from road traffic accidents caused by visiting motorists. Besides offering third party liability protection to the insured or the driver whilst in a foreign country, the COMESA Yellow Card Scheme also offers emergency medical cover to the driver and passengers of the foreign motor vehicle involved in the traffic accident. The COMESA Yellow Card Scheme is currently operational in twelve COMESA Member Countries and one non-COMESA member Country namely; Burundi, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Tanzania, Uganda, Zambia and Zimbabwe

The Scheme which has been in operation for over 32 years was created to address problems raised by inter-state traffic with regard to motor vehicle liability insurance. In order to boost Yellow Card operations, build capacity, enhance efficiency and profitability of the participating Insurance Companies, the Council of Bureaux established Reinsurance Pool which was actualised in the year 1998 and ZEP-RE was subsequently appointed Pool Manager and has been managing the Pool since then.

The COMESA RCTG Scheme

The COMESA RCTG is a customs transit regime designed to facilitate the movement of goods in transit in the COMESA region by providing adequate security of guarantee to the transit countries to recover duties and taxes should the goods in transit be illegally disposed of for home consumption in the country of transit. The Scheme is a component of the COMESA Protocol on Transit Trade and Transit Facilitation that forms part of the COMESA Treaty.

Under the RCTG Scheme, only one bond RCTG Carnet is issued, discarding the need for a bond through every transit country. The RCTG Carnet therefore facilitates and improves the movement, clearance and release of transit goods and reduces the cost of guarantees, collateral amount, transit time and overall cost of doing cross border business in the region.

A reinsurance Pool was established to support the scheme and ZEP-RE was appointed as Pool manager of this reinsurance scheme in June,2010.

Retakaful Window

Takaful insurance has been registering phenomenal growth over the years and according to a report by Dubai Centre for Islamic Banking and Finance (DCIBF), the global takaful insurance market is expected to reach US$ 52.5 billion by 2020. Takaful in Africa has largest presence in Sudan, Egypt, Tunisia, Algeria, Senegal and smaller presence in South Africa and Gambia. Takaful insurance was introduced as an alternative to traditional commercial insurance and seeks to address Islamic law requirements on riba (interest), al-maisir (gambling) and al-gharar (uncertainty) principles.

It is in recognition of the growing importance of this sector and at the request of our clients that ZEP-RE set up a Retakaful Window in Sudan, Africa's first and longest serving takaful market. The Window which became operational in January 2010 serves the Sudan market and markets beyond.

At the time of setting up this Window, ZEP-RE was the first African multinational Company to do so in the African continent. The Company has in place a qualified and technically knowledgeable team on the ground in Sudan managing the Window operations and who provide service, advise and products that are compliant with Sharia law.

Risk Management Services

The Company has in place an in-house team that offers value addition risk management services in areas such as technical advisory, risk surveys and actuarial support. The services were set up in recognition of the growing complexity of insurance business and the need to assist our clients and the regional industry at large in managing risks appropriately with a view to improving the technical performance of the industry.

Training and the ZEP-RE Academy

The ZEP-RE Academy was launched in 2016 to foster the development of the insurance and reinsurance sectors of the region through training and technical skill development. The Academy's key goal is to provide thought leadership in the insurance industry of the region and create a space for interaction and brainstorming of key issues affecting local industry. The Academy has also been designed to be the continental provider of insurance training solutions aimed at translating our strong belief in insurance and reinsurance professionalism into reality.

The flagship course currently offered by the Academy is the Proficiency in Short Term Reinsurance Practice & Claims Management (PSTRPCM). The Academy runs this course in conjunction with the College of Insurance in Kenya. The course targets all employees deployed in Insurance and Reinsurance Companies, Brokers and other Industry Service Providers in the departments of Direct Underwriting, Claims, Reinsurance Underwriting and Reinsurance Accounting. ZEP-RE Academy also conducts workshops in Fire, Engineering, Life Accident & Motor and Medical classes of business.

Since 2017, the Academy has also broadened its skills development programs to include high level workshops for and specially designed courses for industry captains (CEO Forums) and regulator specific courses.

Our People

In line with our vision of being a world class leading reinsurer in Africa, ZEP-RE has a diversified staff intended to grow our physical footprint aimed at getting closer to our clients for first-class service delivery. Our objective is to be a trusted thought-partner providing access to world-leading technical expertise and ground-breaking approaches to our clients' underwriting and risk management needs.

At ZEP-RE, the attraction and retention of talent is therefore imperative, hence we endeavour to recruit and invest in the best talent in the market. We make strategic investments in our human capital through targeted training and recruitment while further establishing a high performance and collaborative culture within our organisation. The Company's terms & conditions of service are structured with staff retention in mind.

ZEP-RE is an equal opportunity employer and undertakes competitive recruitment processes to achieve the aforesaid talented staff. A training budget is provided for all staff and actioned in line with their personal development plans that are aligned to the Company's objectives.

In addition, the Company focuses on developing young leaders who are critical to our business success and continuity. The Young Professional Program (YPP) represents one of such initiatives. The YPP is a one-year program designed for outstanding young graduates in the fields of Actuarial Science, Engineering and Finance & Accounting. The program enables each Young Professional (YP) to receive extensive exposure and experience of the Company's various activities through job rotations in different departments. The Program aims to create a pool of highly trained and experienced young professionals that can be called upon as and when the Company requires professional service. The YPP is decentralized to countries where ZEP-RE operates. As a strategic talent pipeline for the professional career in ZEP-RE, the YPP is designed for outstanding young graduates who can significantly help the Company to carry out its mission and attain its objectives. The program enables each Young Professional (YP) to receive extensive exposure and experience of the Company's various activities through job rotations in different departments.

Selected YPs spend twelve months at the Company's offices in the country where the program is applicable, with a possibility of being deployed in other countries where the Company has offices. YPs benefit from a coaching/career counselling arrangement and a wide range of relevant training and developmental opportunities. Upon successful program completion, the YPs are released to return to the marketplace and / or their countries of origin if the program is held at Head Office for YPs from other countries. ZEP-RE meets all living expenses for the YPs and pays them an allowance for the duration of their program.

OUR VISION

To be a world class leading reinsurer in Africa

OUR MISSION

To provide first class security and quality service to our clients

OUR VALUES

We are customer driven

We are a professional team

We are committed to our work

We act with integrity

We are a responsible corporate citizen

2019 HIGHLIGHTS

GROSS PREMIUM WRITTEN
US$ 207
MILLION

PROFIT FOR THE YEAR
US$ 29
MILLION

SHAREHOLDERS EQUITY
US$ 262
MILLION

INVESTMENT PORTFOLIO
PORTFOLIO VALUE
US$ 337
MILLION

ZEP-RE BUSINESS PARK
COMPLETED IN 2019 - VALUED AT
US$ 33
MILLION

PROPOSED DIVIDENDS
US$ 5
MILLION

RATING

AM BEST

A.M. Best affirmed the company's financial strength rating of B++ and the issuer credit rating of 'bbb' (stable outlook).

GCR

GCR upgraded ZEP-RE's national scale financial strength rating to AAA from AA+ (stable outlook).

ZEP-RE

ACADEMY IN 2019

22 TRAININGS

714 PARTICIPANTS

REGIONAL

OFFICES

1 New office in DRC

CONTENTS

CORPORATE INFORMATION

Board of Directors

Mr. William Erio	Re-elected on 24 June 2019 - Chairman
Mr. Caleb Rwamuganza	Re-elected on 24 June 2019 - Vice Chairperson
Ms. Hope Murera	Managing Director
Ms. Chileshe Mpundu Kapwepwe	Elected on 24 June 2019
Ms. Christabel Banda	Elected on 24 June 2019
Mr. Daher Warsama Robleh	Elected on 24 June 2019
Mr. Ewan Wheeler	Elected on 24 June 2019
Mr. Simon Putsai Chikumbu	Elected on 24 June 2019
Mr. Jan Gross	Re-elected on 24 June 2019
Mr. Mohammed Mousa Idris	Re-elected on 24 June 2019
Mr. David Kibet Kemei	Re-elected on 24 June 2019 & served until 27 August 2019
Mr. Tadesse Admassu	Re-elected on 24 June 2019
Mr. Aden Saleh Omar	Retired on 24 June 2019
Ms. Carole Amela Agito	Retired on 24 June 2019
Mr. George Silutongwe	Retired on 24 June 2019
Mr. Novat Niyungeko	Retired on 24 June 2019
Mr. Yaw Kuffour	Retired on 24 June 2019

Alternate Directors

Mr. Hosea Kashimba	Elected on 24 June 2019
Dr. Kipyego Cheluget	Elected on 24 June 2019
Mr. Kennedy Siamuwele	Elected on 24 June 2019
Mr. Mohammed Kalif	Elected on 24 June 2019
Mr. Ingo Schultz	Elected on 24 June 2019
Mr. Zuheir Hassan Ibrahim	Re-elected on 24 June 2019
Ms. Joy Uwinema Ntare	Re-elected on 24 June 2019
Mr. Jadiah Mwarania	Re-elected on 24 June 2019
Ms. Rehema Namutebi	Re-elected on 24 June 2019
Mr. Alexandre Ntale Miruho	Retired on 24 June 2019
Mr. Simarjit Singh Sra	Retired on 24 June 2019
Ms. Trinitas Girukwishaka	Retired on 24 June 2019
Ms. Verdiana Nkwabi Macha	Retired on 24 June 2019

Management

Ms. Hope Murera	- Managing Director
Mr. Jephita Gwatipedza	- Chief Operating Officer
Mr. Benjamin Kamanga	- Director, Strategy & Investments
Mr. Ronald Kasapatu	- Director, Partnerships, Govt. Relations, Agriculture & Micro Insurance
Mr. Alexio Manyonde	- Chief Information Officer
Mr. Bernard Katambala	- Regional Director, Eastern Africa Hub
Ms. Deniese Imoukhuede	- Chief Risk Officer
Mr. Eliud Nderitu	- Assistant Director, Claims & Quality Assurance
Mr. Hatim Mudawi	- Head of Retakaful Window
Mr. Jerry Sogoli	- Head of COMESA Pools & Stakeholder Relations
Mr. Joseph Nabimanya	- HR & Administration Manager
Ms. Miriam Magala	- Company Secretary/ Head of Legal & Regulatory Affairs
Mr. Nicholas Malombe	- Assistant Director, Life & Health Business
Ms. Rachael Gitonga	- Chief Finance Officer
Mr. Reuben Koech	- Head of Investments
Mr. Shipango Muteto	- Assistant Director, ZEP-RE Academy
Mr. Simon Ndung'u	- Head of Financial Reporting and Accounting
Mr. Beneah Otieno	- Head of Technical Accounting and Credit Control
Ms. Sheila Byenkya	- Project Management & Transformation Manager
Mr. William Nyaindiga	- Claims Manager
Mr. Shipango Muteto	- Assistant Director, ZEP-RE Academy

CORPORATE INFORMATION (continued)

Head Office

Nairobi, Kenya
ZEP-RE Place, 8th Floor
Longonot Road, Upper Hill
P. O. Box 42769 - 00100
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Website: www.zep-re.com

Regional Hubs

Abidjan, Ivory Coast
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Cocody, Abidjan
08 BP 3791 Abidjan 08
Tel: +225 22 40 27 85

Harare, Zimbabwe
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Cnr Jason Moyo and Inez Terrace, Harare, Zimbabwe
Telephone +263 4 777 929/932

Country Offices

Khartoum, Sudan
Reinsurance House Building
P. O. Box 3224
Khartoum, Sudan
Telephone: +249 183 799357/8

Lusaka, Zambia
No. 54, Plot No. 356184,
Base Park (Diamond Park), Alick Nkhata Road
P. O. Box 36966
Lusaka, Zambia
Telephone: +260 211 252586

Addis Ababa, Ethiopia
UNDP Regional Services Building, Ground Floor,
Near Bole Olympia Roundabout,
P. O. Box 873 - 1110
Telephone: +251 911 977970/ +251 73049409

Kampala, Uganda
Lourdel Towers, 5th Floor,
Plot 1 Lourdel Road, Nakasero
Telephone: +256 782312143

Kinshasa, DRC
Boulevard du 30 Juin, Avenue du Batetela
Immeuble Crown Tower
3ème Etage, Porte 301
Telephone: +243 856 716 169

Auditors

PricewaterhouseCoopers LLP
Certified Public Accountants (Kenya)
PwC Tower, Waiyaki Way/ Chiromo Road, Westlands
P.O. Box 43963 - 00100
Nairobi, Kenya

Bankers

Standard Chartered Bank Kenya Limited
Standard Chartered @ Chiromo, Level 5, 48 Westlands Road,
P.O. Box 40984 - 00100
Nairobi, Kenya

Stanbic Bank Kenya Limited
Stanbic Centre, Chiromo Road,
P.O. Box 72833 - 00200
Nairobi, Kenya.

Kenya Commercial Bank Limited
University Way Branch
P.O. Box 7206 - 00300
Nairobi, Kenya

Stanbic Bank Zambia Limited
Woodgate House, Nairobi Place, Cairo Road,
P.O. Box 319555
Lusaka, Zambia

Stanbic Bank Uganda Limited
Crested Towers, Plot 17 Hannington Road,
P.O. Box 7131
Kamplala, Uganda

Sudanese French Bank
P.O. Box 2775
Khartoum, Sudan

Commercial Bank of Ethiopia
P.O Box 255
Addis Ababa, Ethiopia

SCB Cameroon
530, Rue du Roi George
B. P. 300
Douala, Cameroon

Stanbic Bank Zimbabwe Limited
Parklane Branch
Harare, Zimbabwe

Mr. William Erio
Chairman

Mr. William Erio is a Non- Executive Director and the Chairman of ZEP-RE and has served on the Board since 2006. He holds a Bachelor of Laws degree from the University of Dar-es-Salaam and a Master of Laws degree from the University of Hull. He currently serves as the Director General of the National Social Security Fund of Tanzania and holds directorship positions in Tanzania National Reinsurance Corporation Limited, IHPL Limited and PPL Limited.

Mr. Caleb Rwamuganza
Vice Chairperson

Mr. Caleb Rwamuganza a non-Executive Director and Vice Chairman of ZEP-RE. He has served on the Board since May 2014. He is currently the Permanent Secretary in the Ministry of Finance and Economic Planning. He has served in Public Finance Management for more than 15 years in various technical and senior management positions culminating in him appointed as the Permanent Secretary in the Ministry of Finance. He has participated in both a supporting and leading role raising funds for Government of Rwanda projects such as Rwandair, Bank of Kigali's IPO and Rwanda's debut Euro Bond amongst others. Mr. Rwamuganza holds a Bachelor of Business Administration (Accounting) degree from Nkumba University-Uganda and a Master of Art degree in Corporate Finance and Management from Southampton Solent University, UK. He previously served as non-Executive Director of Bank of Kigali and is currently a Director of Rwandair Ltd.

Ms. Hope Murera
Managing Director

Ms. Hope Murera is the Managing Director of ZEP-RE and has previously served as General Manager of ZEP-RE. Ms. Murera holds a Bachelor of Laws degree from Makerere University in Uganda, an MBA from IMD International, Lausanne, Switzerland and has over 20 years working experience in the insurance and reinsurance industry. Ms. Murera currently sits on the Boards of Uganda Reinsurance Company Limited, Africa Trade Insurance Agency (ATI) and the Organisation of Eastern and Southern Africa (OESAI).

Ms. Chileshe Mpundu Kapwepwe

Ms. Chileshe Mpundu Kapwepwe is a Non-Executive Director on the Board of ZEP- Re. She was elected to the Board in June 2019. She is the Secretary General of the Common Market of Eastern and Southern Africa (COMESA) and has extensive experience in both the public and private sectors spanning over 30 years in both local and international organisations. She has served as an Executive Director at the International Monetary Fund as well as Member of Parliament, Deputy Minister of Finance and Managing Director of the National Airports Corporation Limited in Zambia. She has served and continues to serve on numerous boards including the Zambia Revenue Authority, Bank of Zambia, Ecobank Zambia Limited, BP Zambia Limited, Zambia Privatisation Trust Fund, Airports Council International, African Civil Aviation Commission. Ms. Kapwepwe is a Chartered Accountant and holds a Masters' Degree in Business Administration from the University of Bath, United Kingdom.

Ms. Christabel Banda

Ms. Christabel Banda is a Non-Executive Director on the Board of ZEP- Re. She was elected to the Board in June 2019. She is the Managing Director of ZSIC Life Limited (Zambia). Prior to her current appointment, she served in various capacities in the private sector as an insurance, audit and finance professional. She spearheaded the set- up of the Insurers Association of Zambia and served as its 1st Executive Director. She continues to serve the Association as its Vice President. She is the Chairperson of the National Road Fund Agency and serves on the National Pension Scheme Authority Investment Committee. Ms. Banda is a Chartered Insurer and Chartered Accountant and holds a Masters Degree in Business Administration.

Mr. Mohammed Mousa Idris

Mr. Mohamed Musa Idris is a Non-Executive Director who has served on the Board since 2012. He served as the General Manager of the Insurance Supervisory Authority of Sudan until 31 December 2019, when he retired from the position. He has extensive work experience in insurance business within and outside Sudan and in insurance regulation. Mr. Musa has served as a member of the National Committee for anti-money laundering (AML) and counter terrorism financing (CFT), the Supreme Sharia Board of the Insurance Supervisory Authority, and as a Director on the Board of the Economic and Financial Studies Academy of Sudan and the National Health Insurance Fund. Mr. Idris holds a Bachelor of Science degree from Cairo University (Khartoum) and a Postgraduate diploma in Zakat and Islamic finance from Omdurman Islamic University (Sudan).

Mr. Ewan Wheeler

Mr. Ewan Wheeler is a Non-Executive Director on the Board of ZEP- Re. He was elected to the Board in June 2019. He is currently the Chief Investment Officer - Aprica Investments Ltd, an investment holding Company set up to invest in and develop insurance businesses in Africa. Prior to his current appointment, he worked with the African Development Bank as a Private Sector Specialist and was responsible for managing the Bank's investments in East Africa and initiating new deals within the region. Mr. Ewan Wheeler is a Non- Executive Director in Swan General Insurance Zambia Ltd., and has played an advisory role in several significant African private equity funds. Mr. Wheeler holds a BSc Economics (London School of Economics), MSc State, Society and Development (School of Oriental and African Studies), and a post graduate qualification in Investment Appraisal & Risk Analysis (Queens University, Canada).

Mr. Tadesse Admassu

Mr. Tadesse Admassu is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2013. He is currently the President and Chief Executive of Trade Development Bank (TDB), the Eastern and Southern Africa Trade and Development Bank. Mr. Admassu holds an MSc from the London School of Economics, an MBA from Wits Business School, and post-graduate training in strategic banking, private equity and executive management at INSEAD, Harvard Business School and Euromoney. Prior to joining TDB, Mr. Admassu worked in various positions in the banking industry in Johannesburg, Windhoek and New York. He is currently the Vice-Chairman of the African Association of Development Finance Institutions, a Non-Executive Director at Gulf Africa Bank and a Director at GAIN in Geneva and FISEA in Paris.

BOARD OF DIRECTORS' PROFILES

Mr. Jan Gross

Mr. Jan Gross is a non-Executive Director of ZEP-RE. He joined the Board in May 2017. He is a Senior Investment Manager with the Equity and Mezzanine (Insurance Investments) division of the DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH in Cologne, Germany. Mr. Gross has more than 15 years of experience in the insurance and private equity. He holds a degree in Business Engineering from Technical University of Berlin and is a CFA charter holder.

Mr. Daher Warsama Robleh

Mr. Daher Warsama Robleh is a Non-Executive Director on the Board of ZEP-RE. He was elected to the Board in June 2019. He is currently the Finance and Accounting director of Amerga Insurance (Djibouti). He has held the position since 2001. Prior to that, he worked with two subsidiary French insurance companies (PFA and Prudence Créole). Mr. Daher has over 28 years' experience in the insurance and reinsurance industry. Mr. Daher holds a University degree in Technology and Finance and Accounting from Ch Anta Diop University of Dakar, Senegal.

Mr. Simon Putsai Chikumbu

Mr. Simon Putsai Chikumbu serves as an Independent Director on the Board of ZEP- RE. He was elected to the Board in June 2019. He is a Chartered Insurer, an Associate of the Insurance Institute of South Africa and a Certified Director of the Institute of Directors (South Africa). He holds a BSC degree in Mechanical Engineering (University of Zimbabwe). He currently serves as the Non- Executive Chairman of Aon Re Africa Pty Ltd, t/a Aon Reinsurance Solutions, where he worked for almost 25 years. Prior to his current position, he served as CEO & Principal Officer for 13 years. He has also served in the capacity of President of the Insurance Institute of Zimbabwe (IIZ), President and Chairman of the Insurance Institute of South Africa (IISA), Executive Committee member of the African Insurance Organization (AIO) and Chairman of the South Africa Reinsurance Brokers Association (SARBA). Mr. Chikumbu sits on the Boards of FBC Reinsurance Company Ltd, Zimbabwe, and other companies in Southern Africa.

Mr. David Kibet Kemei

Mr. David Kibet Kemei is as a non-Executive Director of ZEP-RE and served until August 2019. He joined the Board of ZEP-RE in June 2018. He holds a Bachelor of Commerce Degree in Accounting and a Masters in Business Administration (MBA) both from the University of Nairobi. He is also a Certified Public Accountant (CPA) as well as a Certified Regulation Specialist. He has served in various positions including teaching at the University of Nairobi, Credit Control at Nation Media Group, Finance Manager at Windsor Golf Hotels and Country Club Ltd and a Financial Analyst Energy Regulatory Commission. He is currently the Chief Executive at DGMB Financial Services Ltd and a Director in Kenya Reinsurance Corporation.

MANAGEMENT TEAM

Ms. Hope Murera
Managing Director

Jephita Gwatipedza
Chief Operating Officer

Mr. Benjamin Kamanga
Director, Strategy & Investments

Mr. Ronald Kasapatu
Director, Partnerships, Govt Relations, Agriculture & Micro Insurance

Mr. Alexio Manyonde
Chief Information Officer

Mr. Bernard Katambala
Regional Director, Eastern Africa Hub

Ms. Deniese Imoukhuede
Chief Risk Officer

Mr. Eliud Nderitu
Assistant Director, Claims & Quality Assurance

Dr. Hatim Mudawi
Head of Retakaful Window

Mr. Jerry Sogoli
Head of COMESA Pools & Stakeholder Relations

Mr. Joseph Nabimanya
HR & Administration Manager

Ms. Miriam Magala
Company Secretary/ Head of Legal & Regulatory Affairs

Mr. Nicholas Malombe
Assistant Director, Life & Health Business

Ms. Rachael Gitonga
Chief Finance Officer

Mr. Reuben Koech
Head of Investments

Mr. Shipango Muteto
Assistant Director, ZEP-RE Academy

Mr. Simon Ndung'u
Head of Financial Reporting and Accounting

Mr. Beneah Otieno
Head of Technical Accounting and Credit Control

Ms. Sheila Byenkya
Project Management & Transformation Manager

Mr. William Nyaindiga
Claims Manager

NOTICE OF THE 29TH ANNUAL GENERAL ASSEMBLY

NOTICE IS HEREBY GIVEN that the 29th Annual General Assembly of ZEP-RE (PTA Reinsurance Company) will be held as 'Virtual only' meeting via the ZOOM Platform on 5th August 2020 at 0930 hours Kenyan time to conduct the following business:

1. To note the presence of a quorum.
2. To adopt the agenda.
3. To confirm minutes of the previous Annual General Assembly held on 24 June 2019.
4. To consider and adopt the Financial Statements for the year ended 31 December 2019 together with the Chairman's Statement, the Directors' Report and Auditor's Report.
5. To approve the Directors' remuneration for the financial year ended 31 December 2019
6. To declare a dividend in line with the Board of Directors recommendations. The Directors recommend approval of a dividend; of US$ 5 million. The proposed dividend is to be issued as bonus shares of 1 share for every 79 shares held as at 31 December 2019.
7. To consider and if approved, appoint External Auditors for 2020 and approve their remuneration.
9. To undertake any other business.

BY ORDER OF THE BOARD

Miriam Magala

Secretary to the Board

Note

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on their behalf. A proxy need not be a member of the Company. To be valid, a proxy form, which is provided with this NOTICE, must be duly completed by the member and lodged with the Company Secretary vide email mmagala@zep-re.com and copy *nnjiraini@zep-re.com* and *nmuhoza@zep-re.com* not later than 1700 hours (EAT) on Wednesday, 29 July 2020.

FOREWORD

On behalf of the Board of Directors, I am delighted to present to you the Company's Annual Report and Financial Statements for the year ended 31 December 2019.

1. 2019 ECONOMIC CONDITIONS

1.1 GLOBAL

GDP - Global GDP growth in 2019 was estimated at 2.9%, a downward revision of an expected 3% growth on a backdrop of heightened global tensions particularly, trade tensions between China and USA as well as the Brexit related uncertainties. Overall, global growth rates demonstrated a significant decline in comparison to 3.6% and 3.8% achieved in 2018 and 2017 respectively on account of unexpected pressures to economic activity as emerging markets like India, Mexico and Brazil attained a less than anticipated growth, social unrest increased in a number of countries, and natural disasters like hurricanes in the Caribbean, floods in eastern Africa and the Australian wildfires eroded productivity. At the end of the fourth quarter of 2019, positive progress with the USA and China trade tensions and reduced fears of a hard Brexit invigorated investor risk appetite. Lagged effects of substantial monetary easing policies across advanced and emerging market economies stimulated financial growth in an unfavorable economic environment crippled with slower manufacturing activity and decreased trade volumes.

Currencies - The U.S. dollar index recorded its smallest ever annual move in 2019, up just 0.24% for the year after a drop in December reversed early gains as trade hopes and investor confidence diminished demand for the safe-haven asset. The dollar had recorded a strong 2019 before December, owing to the outperformance of the U.S. economy. The Pound Sterling entered 2019 on its front foot, quickly advancing by 6.5% against the Euro and 4.9% against the Dollar in the first quarter only to be hit by steep losses in the second and third quarters that saw it fall by around 10% against both rivals by the beginning of September. The Pound closed the year up 4.1% against the US Dollar.

Capital Markets - Global fixed income markets saw positive returns across segments and regions in 2019. Expansionary monetary policy pushed the prices of fixedincome investments up and interest rates down. The yield on ten-year US Treasuries fell from 2.7% in January to 1.9% in late December after hitting a three-year low of 1.5% in August. Consequently, investments in USD-denominated high-quality bonds posted high-single-digit returns. A combination of solid corporate earnings, low interest rates, the lifting of geopolitical clouds from the UK elections and US-China trade negotiations and renewed optimism about economic data pushed major indices up in 2019. As measured by the MSCI World Index, developed-market equities gained 27% slightly below the performance of the S&P 500 Index. The Dow Jones Industrial Average, S&P 500 and Nasdaq Composite closed at the highest levels ever, their latest milestones in a long string of records in 2019. Similarly, the S&P Emerging Markets Index gained 19% in 2019 while the FTSE Eurofirst 300 Index was up 20% for the year.

1.2 REGIONAL

GDP - Economic recovery in sub-Saharan Africa was estimated to have slightly picked up from 3.2% in 2018 to 3.3% in 2019. Although many of the region's more diversified economies are estimated to have sustained growth at 5% or more, resource-dependent economies including the largest (Nigeria and South Africa) experienced weaker than anticipated growth.

Currencies - The performance of most of the currencies in the Sub Saharan Region remained relatively flat to the United States Dollar in 2019 with the exception of the Zimbabwe RTGS Dollar that lost 85.1% to the US$. The Ugandan Shilling and Kenyan Shillings gained 1.1% and 0.7% respectively while the Rwandan Franc lost 4.4%. The Tanzania Shilling remained flat against the US Dollar in 2019.

Capital Markets - Yields on African Eurobonds, except Zambia, generally declined in 2019. This was partly attributed to the adoption of a looser monetary policy regime in the Eurozone and the United States, thus leading to a decline in yields in advanced economies. As a result, there was increased investor interest in Africa's debt market which increased demand pushing the prices up and consequently the yield down. Kenyan equities rallied in 2019 following removal of the interest rate cap.

2. BUSINESS PERFORMANCE

The Company registered a 16.0% growth in gross premium income in 2019 despite challenging market environments. Kenya remained the largest contributor of the Company's business in 2019 followed by Uganda, Zambia, Tanzania and Zimbabwe. The fastest growing classes of business were casualty and medical.

The Company maintained its disciplined underwriting which, coupled with an improved claims experience, yielded an underwriting profit of US$ 5.6 million in 2019, compared to US$ 1.8 million in 2018, an increase of 209.2%. The growth in profitability is a result of a deliberate strategy to focus on profitable underwriting aligned to top line growth.

The investment income increased from US$ 14.4 million in 2018 to US$ 28.9 million in 2019, a growth of 100% mainly from the revaluation gain on ZEP-RE Business Park.

Exchange rates for most local currencies during the year were stable and resilient save for a few currencies which depreciated. The Zimbabwean Dollar (Z$) recorded a 1,570% depreciation to close at a rate of 16.7 to the US$ at 31 December 2019 resulting in a forex loss of US$ 2.3 million. In spite of this, the Company's profit for the year improved from a low of US$ 10.1 million in 2018 to a record US$ 28.8 million in 2019, a 183.6% improvement.

3. DIVIDEND

The Board of Directors recommends a dividend of US$ 5.0 million from the results of 2019 compared to US$ 2.5 million for 2018. The proposed dividend is to be issued as bonus shares of 1 bonus share for every 79 shares held as at 31 December 2019.

4. STRATEGIC FOCUS

The Company is committed to its strategic focus aimed at business leadership in its core markets and expansion into new business frontiers as a means of building a solid base aimed at enabling the Company realise its US$ 1 billion-dollar premium goal. Currently, the Company underwrites business from all COMESA Member States and has a physical presence in eight (8) countries on the continent. The Company's goal is to sustain these efforts whilst ensuring it remains vigilant and responsive to the needs of its clients and key business partners.

5. GOVERNANCE

During the year, we had a change of membership on the Board of the Company. Mr. Chiboli Induli Shakaba was nominated by Kenya Reinsurance Corporation in August 2019 to replace Mr. David Kemei as Director on the Board. Noting that the mandate of appointment of Board members is vested with the AGM by virtue of Article 11(3) (b)) of the Agreement Establishing ZEP-RE, Kenya Reinsurance Corporation was accordingly represented by Alternate Director, Mr Jadiah Mwarania for the remainder of 2019.

We thank Mr. David Kemei for the service he rendered to the Company during his tenure as Director.

6. 2020 ECONOMIC OUTLOOK

At the start of 2020, the global growth predictions for 2019 were revised downward by 0.1% to an estimated global growth rate of 2.9% compared to 3% as earlier predicted. Similarly, the growth rate for 2020 has been recalibrated to a predicted 3.3% growth compared to 3.4% as earlier estimated in October 2019. The downward revision was due to unexpected pressures to economic activity as emerging markets like India, Mexico and Brazil attained a less than anticipated growth in the fourth quarter of 2019, social unrest increased in a number of countries, and natural disasters like hurricanes in the Caribbean, floods in eastern Africa and the Australian wildfires eroded productivity.

On the other hand, positive progress with the USA and China trade tensions and the ebbing away of fears of a hard Brexit invigorated investor risk appetite. Lagged effects from continued monetary easing in advanced and emerging economies during the second half of 2019 will support global economic activity in 2020.

Similarly, growth in Sub-Saharan Africa has also been revised downward by 0.1% to a predicted growth rate of 3.5% in 2020 on account of a decline in business confidence and private investment in South Africa as well expected public spending consolidation in Ethiopia. That said, subdued global trade, dampened by the coronavirus outbreak, global commodity price volatility; extreme weather events; insecurity risks; and rising external debt concerns all weigh heavily on the outlook.

The far reaching and adverse impact of the outbreak of COVID-19 at the start of 2020 has brought the world to a halt. Its toll on the health and economic structures not only differs from past downturns but its impact is extremely uncertain. The pathway of this pandemic will intensify the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioral changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatility of commodity prices.

A baseline scenario estimates gradual fading of the pandemic together with the unwinding of containment measures by the end of the third quarter of 2020. Under this scenario, global economic growth for 2020 is estimated to contract to -3% (far worse than the recession of 2009) and projected to grow at 5.8% in 2021 as growth picks up. The growth forecast for 2020 has been marked down by more than 6 percentage points from predictions in October 2019.

7. TRIBUTE

On behalf of the Board, Management and entire staff of ZEP-RE, I take this opportunity to pay tribute and express our deepest sympathy on the passing of former Board Member Mr. Yaw Kuffour, appointed to the Board of ZEP-RE in October 2011 to represent the African Development Bank (AfDB).

Premised on his strong investment and financial expertise, he made immense contribution to the strategic growth and positioning as well as enhanced financial performance of the Company. He held the position of Chairperson - Board Strategy & Investment Committee from 2013 till his retirement from the Board in June 2019. We are proud to have served with a committed and dedicated individual who will also be warmly remembered for his easygoing, calm and aimable demeanor. May His Soul Rest in Peace.

8. APPRECIATION

I take this opportunity to recognize, with much appreciation, the contribution that my fellow directors have made to make this yet another successful year. I thank you for your wise counsel, support, direction and service as members of the Board and various Board committees.

To our shareholders, I thank you for the continuous support and confidence in the Board of Directors and Management.

To the Management and staff, we are grateful for the hard work that was put in which ensured the Company was steered effectively and managed to overcome economic and business challenges experienced within the year.

To our business partners and other stakeholders, I thank you for your continued cooperation and support and look forward to an even more solid partnership in the years ahead.

William Erio
Chairman

> "The Company maintained its disciplined underwriting which, coupled with an improved claims experience, yielded an underwriting profit of US$ 5.6 million in 2019, compared to US$ 1.8 million in 2018, an increase of 209.2%.
>
> **Hope Murera**
> *Managing Director*

Dear Shareholders,

It is my pleasure to present a review of our business and financial performance in the 2019 financial year.

We are three years into implementation of our 1B strategy which aims to have the Company write 1Bn USD in gross premiums while recording a Return on Equity (RoE) of at least 12%. The key achievements during the year highlighted below:

Financial Performance Highlights

We achieved a remarkable growth in 2019, with the Company recording a profit of US$28M, a significant growth of 183% from 2018. This was achieved mainly from the growth in Gross Premium Income (GPI), an improved loss experience and a growth in investment income. The key financial highlights are here below:

- *Gross premium Income - US$207.1M* - 16% growth above 2018 and 2.1% above forecast. Largely from growth in the property, casualty and medical classes. Treaty and facultative type business grew by 13% and 27% respectively.
- *Loss ratio - 58.2%* - An improvement in loss ratio from 62% in 2018 to 58% driven by improved underwriting discipline to retain profitable accounts and actively manage claims. There will be continued focus in the management of claims and in ensuring the profitability of business retained.
- *Underwriting profit - US$5.6M* - 209% growth from previous year and 5.7% below forecast. Growth driven by growth in GPI and an improved loss ratio
- *Management expenses - US$21M* - 17% increase from 2018 and 13% from forecast largely due to provision for staff bonuses. With the expected pressure on business due to the COVID-19 pandemic, the control on management expenses will be a priority.
- *Investment Income - US$29M* - 100% increase from 2018 and 91% increase on forecast. The growth in investment income was from increase in interest income, dividend income and a significant contribution from the fair value gains from the ZEP-RE Business park property in Zambia.

However, we also encountered challenges including slowed growth in our double down markets, currency devaluations, price undercutting and high claims from most of our key markets. This greatly impacted our profitability and that of the industry and we shall continue to work with key stakeholders to turn this around.

Other Highlights

Account Management: We successfully rolled out a relationship-based underwriting initiative through the key account management, which has resulted in premium growth of 16% above 2018. We continue to enjoy a good brand name across the continent thanks to strengthened relationship management by Key Account Managers

New office in DRC: In addition to the country offices that were previously opened in Uganda and Ethiopia, we increased our geographical footprint further in 2019 by opening a new country office in DRC, increasing proximity to our clients.

East Africa Regulators Workshop: The Company hosted a regulators workshop and continuously engaged with other policy makers and stakeholders in the area of premium retention and financial inclusion in line with our founding mandate of developing the insurance and reinsurance business in Africa particularly in the COMESA region.

Team Growth: Building on the strategic recruitments previously undertaken in 2017-2018, we have augmented our technical accounting, claims and IT teams. We recruited Key Account managers for Tanzania and the CIMA region to support our client coverage model and build client loyalty and intimacy. In addition, skills building of our people through specific trainings (both technical and management training) as well as coaching has continued. Our diversity in gender, nationality and age continues to give us an edge that is critical in building a strong and lasting institution.

IT Systems: We upgraded our core IT systems resulting in improved efficiencies. In addition to this, the WMS project was commissioned to automate key business operations and increase efficiency.

Delivering our Mandate: As a COMESA institution, we have engaged more with Governments and Regulators to align on how best to deliver our shared mandates of growing the insurance industry in the region. In this regard, we created a Directorate of Agriculture and Micro Insurance to actively engage with governments to promote the financial inclusion agenda through insurance.

As a result of our efforts in delivering our development mandate, ZEP-RE was celebrated as one of the most successful COMESA institutions during the 25th anniversary celebrations of the regional block in Lusaka, Zambia.

InsurTech Thought Leadership: Through the ZEP-RE insurtech summit, we provided a platform for startups and established developers to showcase the digital solutions they have developed to respond to the changing environment, cementing our place as an Industry thought leader in the insurtech space.

In addition, we have developed a facultative pricing tool for the industry, and we are working with the Association of Kenya Insurers (AKI) to roll it out in Kenya.

ZEP-RE Academy: Through our training and skills capacity building arm, the ZEP-RE Academy, we continue to provide the industry with a number of capacity building activities to enhance technical skills in the region. We have trained over 6,000 practitioners in courses including our flagship Proficiency in Short-Term Reinsurance Practice, CEO breakfasts, Enterprise Risk Management training, East Africa Regulators workshop as well as carried out a number of client specific trainings.

OPERATING ENVIRONMENT

Comesa Region

The COMESA region remains our key market. The annual average GDP growth rate for the region declined from 5.1% in 2018 to 2.1% in 2019 on account of sharp declines from Libya (effect of the war in Tripoli in April 2019), Eritrea (energy and foreign exchange shortages) and Zimbabwe (weather related shocks which caused food security, migration and inflation pressure). Overall, the rest of the countries' economic growth targets were affected by various factors which ranged from drought, low manufacturing productive capacity and natural disasters.

The estimated combined GDP in 2019 for all COMESA countries was USD 800 billion and this was 35% of the total Africa GDP. Overall, the political and economic environments in all our key markets remained stable except for Zimbabwe. Economic growth targets were affected by various factors which ranged from drought, low manufacturing productive capacity and natural disasters.

A detailed overview of each of our major markets is summarized hereby.

Kenya

Kenya is the largest economy in Eastern and Central Africa, but its growth was largely affected by low manufacturing production capacity caused by lack of funding, low exports and low government spending on major infrastructure projects like roads. Government spending was hugely affected by the huge interest burden on foreign debt which used up 40% of government revenue. The country's GDP growth was lower than expected at 5.7% in 2019 (2018: 5.8%). Inflation increased than expected but remained low at 5.61% (2018: 4.69%)

Kenya remained our main market and its contributions to the Company's gross premium written remained in 2019.

The 2019 insurance industry growth was low at 3% and this was mainly as a result of the poor general economic performance and the cut-throat competition which continued to push rates down. The Company's growth in Kenya was strong at 16.0% way above industry growth and this was mainly driven by aggressive marketing strategies implemented.

India

India is one of the world's largest and fastest growing insurance market. Its total insurance market premiums was US$ 27 billion. India's GDP grew by 8.14%.

India was our second largest market in 2019. Growth was mainly organic from the agricultural sector. Underwriting margins in the agricultural sector continue to be eroded and exposures will continue to be reviewed.

Uganda

Uganda is our second largest market in Eastern and Central Africa. Uganda's GDP grew by 6.3% in 2019 (2018: 6.1%). Inflation remained stable at 2.7% in 2019 (2018: 2.6%). The Insurance Industry growth was solid at 29% and this was mainly driven by the industry drive towards localization and implementation of minimum premium rates. These important measures were aimed at maintaining industry profitability and the need to increase insurance penetration. Overall, Uganda was the Company's third largest insurance market after Kenya and India.

Uganda's 2019 contribution to the Company's gross written premium was strong at 7.7%/ US$ 16.0m in 2019 (2018: 7.0%/US$ 12.4m). Legislative changes which prohibit insurance intermediaries from collecting premiums from the insuring public on behalf of insurance companies took effect in 2019 and this greatly improved insurers liquidity. The directive towards local capacity utilization will continue to drive local insurance industry growth.

Zambia

Zambia remains a key market for the Company. GDP growth was lower than expected at 2.5% in 2019 (2018: 3.8%). Inflation peaked in 2019 to 9.95% (2018: 6.99%) and this was mainly as a result of the depreciation of the Zambian Kwacha. Zambia relies heavily on imports and the price of copper which is the main foreign currency earner remained depressed on the international market. The performance of the economy was also affected by drought and poor energy/electricity supplies which affected industry productivity.

The Zambia Insurance Industry growth in 2019 was subdued recording a decline of 2%. The drive towards localisation is expected to spur growth in 2020. In spite of the market registering the highest growth at 52.4%, liquidity continues to be a challenge.

Tanzania

Tanzania is the third largest market in Eastern and Central Africa. Tanzania's GDP was US$ 62.2 bln (2018: US$ 56.9 bln) and its GDP growth was 9.4%. Inflation remained low at 3.6% (2018 - 3.5%) while the Tanzanian shilling remained stable in 2019. The leading contributors to the economic growth were construction and trade.

The Tanzanian Insurance market premiums were US$ 275m. The implementation of the minimum rates in 2018 continued to spur growth. The market has fully embraced the no cash no cover legislation.

Tanzania recorded a market premium growth of 10% and this was mainly driven by increased market penetration and organic growth from the new measures.

Zimbabwe

Zimbabwe remains a key market for the Company. The Country's GDP shrunk by 8.3% in 2019 (2018 growth was 3.5%). The Zimbabwe economy was mainly affected by Cyclone Idai and the drought which affected most Southern African countries. Industry growth was heavily affected by power outages mainly caused by low electricity generation capacity at Kariba power station. Inflation was quite high in 2019 closing at over 161.81% (2018: 10.6%) mainly driven by depreciation of the Zimbabwean dollar to the United States Dollar.

Ethiopia

Ethiopia remains one of our key strategic markets. The Ethiopian economy continued to show signs of economic recovery in 2019. The country's GDP growth was 7.44% (2018: 7.71%).

The GDP growth was mainly underpinned by agriculture commodities, power and distribution and logistics infrastructure. Inflation was at 14.6% in 2019 (2018: 13.8%). The Ethiopian BIRR was generally stable throughout the year.

The Insurance Industry remained highly localised but there are signs that the industry will open up to foreign players. The total Insurance market premiums was US$276m.

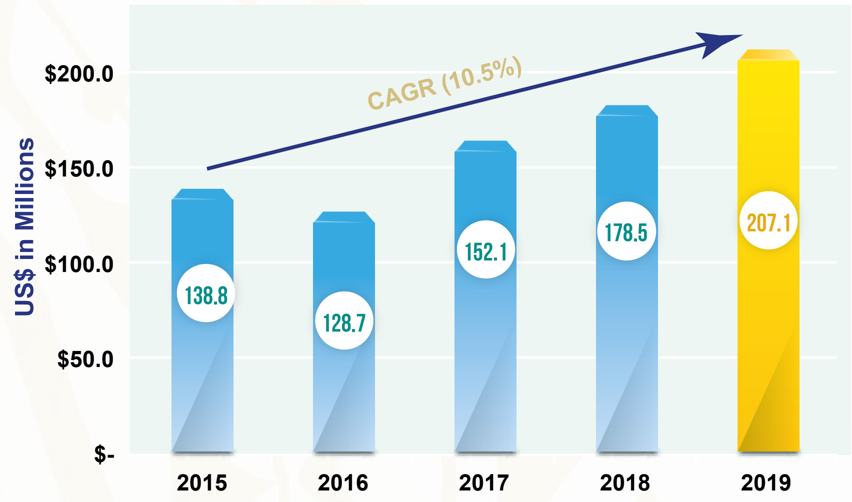
Ethiopia remained our seventh largest Insurance market with a contribution to our gross written premiums of 3.3%/ US$ 6.9m (2018: 4.0%/US$ 7.1m) This represented a decline of 1% from previous year.

FINANCIAL PERFORMANCE REVIEW

GROSS PREMIUM INCOME

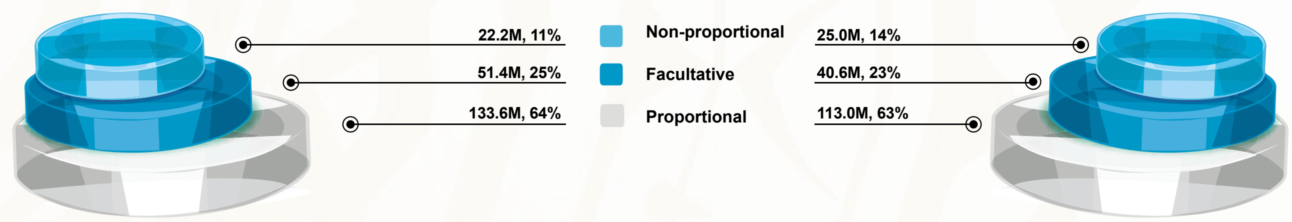
Gross premium income rose by 16.0% from US$ 178.5 million in 2018 to US$ 207.1 million in 2019. A key contributor to the good growth over 2018 was growth in both facultative and treaty business which grew by 26.7% and 12.9% respectively.

ZEP RE Financial Performance Review
Gross Premium Income



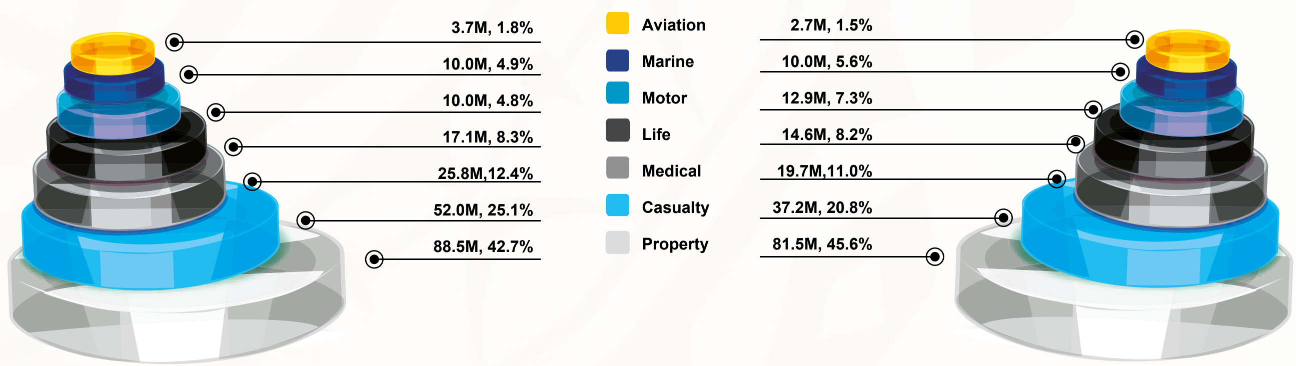
GROSS PREMIUMS WRITTEN IN US$ MILLIONS & % BY TYPE - 2019

GROSS PREMIUMS WRITTEN IN US$ MILLIONS & % BY TYPE - 2018



GROSS PREMIUMS WRITTEN IN US$ MILLIONS & % BY CLASS - 2019

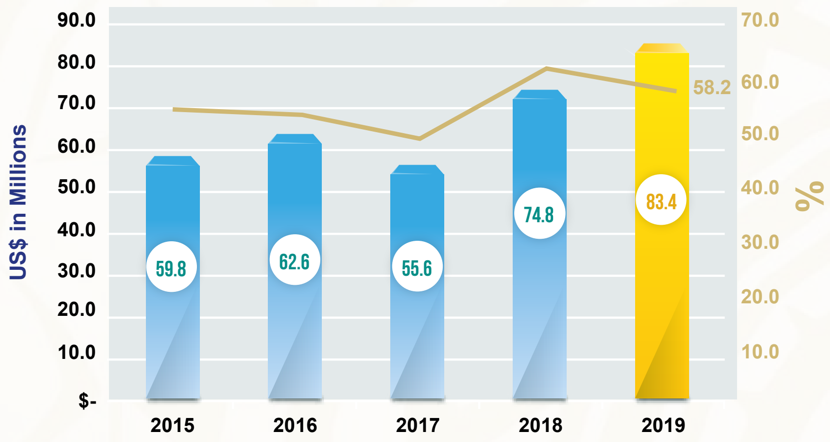
GROSS PREMIUMS WRITTEN IN US$ MILLIONS & % BY CLASS - 2018



NET INCURRED CLAIMS

Net claims incurred in 2019 amounted to US$ 83.4 million compared to US$ 74.8 million in 2018. The actual net claims loss ratio for the year ended 31 December 2019 was 58.2% compared to 61.9% in 2018. The Company's outstanding claims' reserves also increased to US$ 95.3 million in 2019 from US$ 90.4 million in 2018. The improvement in the loss ratio was attributable to improved loss experience mainly from property, motor and life classes of business.

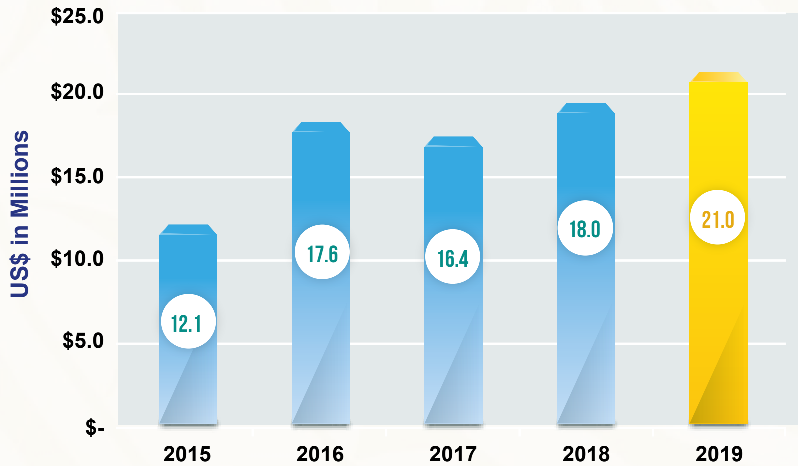
ZEP RE Financial Performance Review
Net Incurred Claims and Loss Ratio



OPERATING & OTHER EXPENSES

Operating & Other expenses in 2019 amounted to US$ 21.0 million compared to US$ 18.0 million in 2018, a 16.7% increase mainly due to increase in staff expenses and provision for bad debts.

ZEP RE Financial Performance Review
Operating Expenses



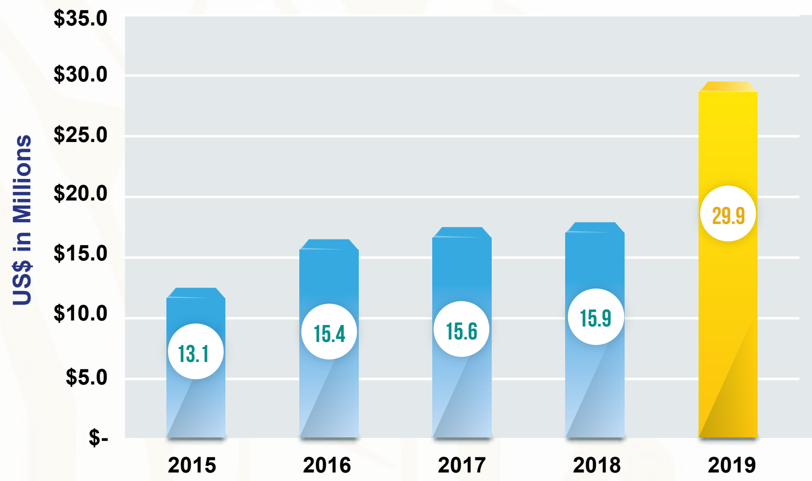
BUSINESS AND FINANCIAL PERFORMANCE REVIEW (continued)

INVESTMENTS & OTHER INCOME

The investment income and other income increased from US$ 15.9 million in 2018 to US$ 29.9 million in 2019, an increase of 1.9% growth mainly attributable to;

- increase in the interest income by 6.1% in 2019;
- increase in the rental income by 4.2% mainly attributable to increase in tenants;
- increase in the dividend income by 80.8%; and
- increase is fair value gains in investment property

ZEP RE Financial Performance Review
Investments & Other Income

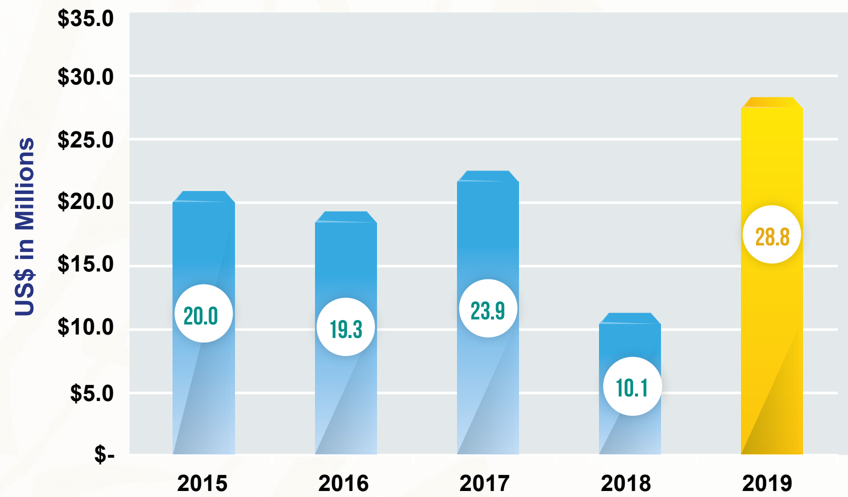


PROFIT FOR THE YEAR

The Company achieved a profit of US$28.8 million in 2019 compared to US$10.1 million in 2018. The increase

in profitability is attributable to both improvement in loss experience and growth in investment income in 2019.

ZEP RE Financial Performance Review
Profit for the year



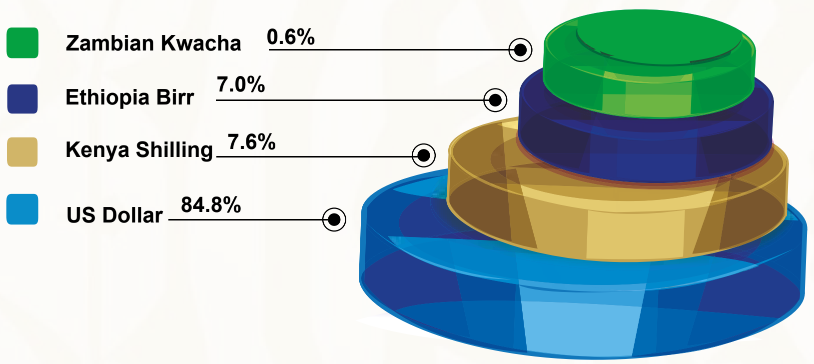
INVESTMENTS PORTFOLIO

The investments portfolio value increased from US$285.7 million as at 31 December 2018 to US$336.6 million as at 31 December 2019, an increase of 18.0% driven by reinvestment of investment income, fair value gains on revaluation of investment properties, available for sale equity investments and investments in affiliates as well as new investment from cash collections.

Currency Exposure of the Investment Portfolio

US Dollar denominated assets represent 84.8% of the investment portfolio with 7.6% invested in Kenya Shillings, 7.0% in Ethiopian Birr and 0.6% Zambian Kwacha. US Dollar denominated assets are favored in order to protect the value of the Company's assets as most currencies of the region tend to depreciate significantly against the United States Dollar.

CURRENCY EXPOSURE



Asset allocation

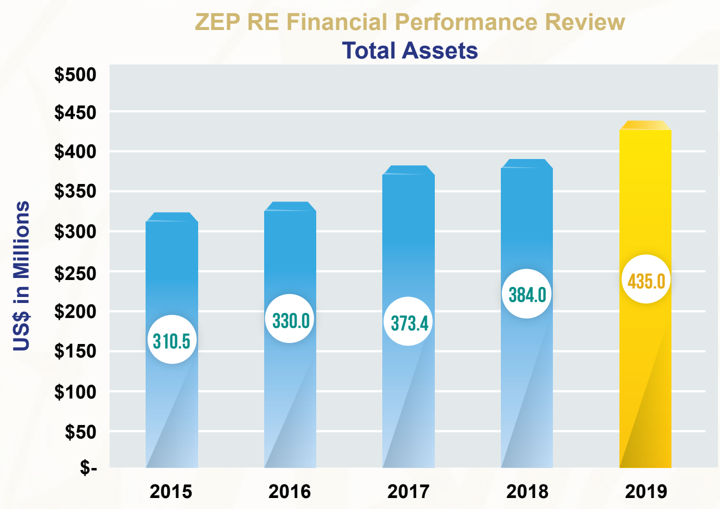
Deposits with Financial Institutions and investments in Government Securities continue to dominate the investment portfolio with a combined exposure at 63.4% of the entire portfolio as at 31 December 2019. Increased exposure to investment properties reflect disbursements to the ZEP-RE Business Park and fair value gains in 2019. Investments in Regional and in the wider Sub-Saharan equities were increased during the year 2019 as part of rebalancing activities undertaken to enhance long term investment returns.

Liquidity

Adequate liquid assets are held to support payments obligations. As of 31 December 2019, money market and fixed income instruments maturing within one year were valued at US$ 131.1 million (2018 - US$ 137.2 million). Given that the average per annum claims paid during the five-year period to 31 December 2019 was US$ 71.0 million, the liquid funds are more than adequate to cater for the claims obligations.

TOTAL ASSETS

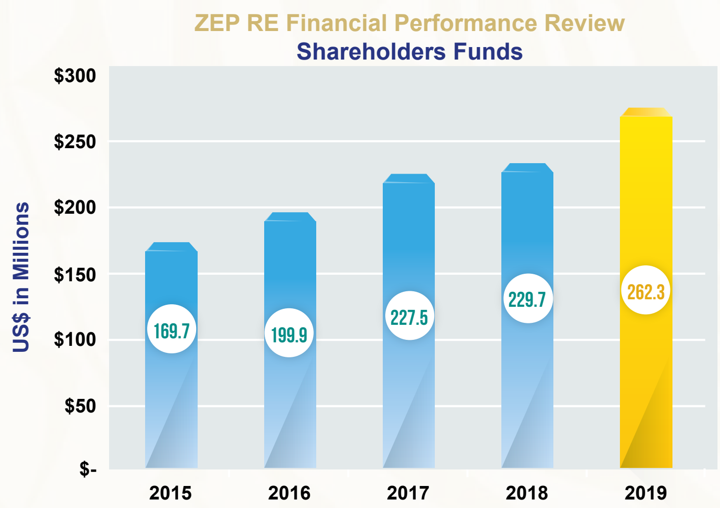
The Company's asset base grew by 13.3% from US$384.0 million in 2018 to US$ 435.0 million as at 31 December 2019. This growth is mainly attributable to increase in the investment portfolio by US$ 51.3 million (18.0%).



SHAREHOLDERS' FUNDS

The shareholders' funds increased by 14.2% from US$ 229.7 million in 2018 to US$ 262.3 million as at 31 December 2019. The increase of US$ 32.6 million in shareholders' funds is attributable to:

- Profit for the year of US$ 28.8 million;
- Unrealized fair value gains of US$ 1.1 million on investments with affiliates;
- Unrealized fair value gains of US$ 3.9 million on equity and offshore investments;



BUSINESS AND FINANCIAL PERFORMANCE REVIEW (continued)

THE ZEP-RE ACADEMY

In line with the founding goals of the Company, ZEP-RE is required to facilitate the training of insurance and reinsurance industry personnel in the region and provide technical assistance to the insurance and reinsurance institutions of the region. The ZEP-RE Academy undertakes on average about twelve training workshops in a year. The training focuses on providing affordable high quality programs aimed at improving insurance and reinsurance practice.

It is ZEP-RE's vision to be a trainer of choice and to expand its training programmes to reach as many industry personnel as possible. To this end the Academy has emerged as a centre of excellence in capacity building. Going forward the Academy intends to broaden its reach in the region by expanding the number of countries and frequency of courses.

In 2019, the Academy successfully conducted 22 trainings in Nairobi, Kampala, Addis Ababa, Abidjan, Dar es salaam, Lilongwe and Lusaka, with a total of 714 participants. The training and workshops included: Training for insurance regulators; Introduction to insurance practice; Proficiency in Short-Term Reinsurance Practice (PSTRP); Enterprise Risk Management; Bonds and Guarantees Underwriting; Advanced Reinsurance Practice; Risk Surveying, among others. The Academy also had successful collaboration with local insurance institutes.

Above: Participants in the midst of a ZEP-RE Academy training workshop

BUSINESS AND FINANCIAL PERFORMANCE REVIEW (continued)

INSURTECH AS A GROWTH TOOL

In line with the Company's mandate to develop the insurance industry, ZEP-RE is collaborating with the industry to aggressively embrace technology and help expand access to insurance service. Technology presents three opportunities to the industry:

- Grow the size of the market through opening new channels and introducing new products
- Cost saving through enhanced efficiency
- Deepening financial inclusion through affordable insurance products

ZEP-RE undertook activities in 2019 aimed at helping the industry achieve these objectives. These include:

a) Advocating for technology adoption

ZEP-RE believes that adoption of technology by the industry requires some stimulation. The insurance industry has lagged behind on technology adoption compared to other financial services providers like banks. In Africa, the industry has not used its numbers to deliver collaborative technology solutions.

In September 2019, ZEP-RE hosted an Insurtech Forum and CEO breakfast in partnership with CIO East Africa. Themed: Connecting the Digital Future of Insurance Today - the InsurTech Forum addressed the changing needs and expectations of insurance industry clients/customers while exploring the benefits of emerging client-driven technological innovations as well as solutions yearned by the insurance industry. The event was used to bring industry leaders together to discuss adoption of technology, and how the industry individually as well as together, can grow using technology.

b) Partnerships in Industry

ZEP-RE is part of the Africa Reinsurers Association initiative to explore Blockchain Technology to deliver cost efficiency and customer satisfaction in the insurance industry. The initiative seeks to improve productivity, enable traceability, and support compliance.

The initiative was first discussed at the 9th meeting of the African Reinsurer Association. The mover of the initiative was Africa Re. A steering committee was then formed to lead the initiative, in which ZEP-RE is participating. Engagements then followed between the steering committee, which resulted in a presentation at the Tunis summit in September 2019. The committee was then given mandate to come up with a model for delivering the objectives and delivering a pilot at the next summit. This is the activity that the committee is seized with.

c) Development of industry applications

The insurance industry in Kenya has faced a challenge on how to correctly price the Engineering projects. ZEP-RE has developed an Engineering rating manual to address this challenge. The objective therefore was to develop a solution that encompasses the rules in the manual and giving opportunity for underwriters to still apply their knowledge and differentiate their pricing.

ZEP-RE worked with the Association of Kenyan Insurers to deliver this application in 2019. This involved ZEP-RE deploying development resources, while AKI provided testing and feedback of the application. The solution, covering Construction All Risks cover, is now used by industry players. Further development will be made in 2020 to enable coverage of Fire and other classes.

Looking Ahead

ZEP-RE growth is tightly coupled to the growth of Primary Insurance Companies. In order to achieve the 1B Gross Written Premium target, actions need to be taken now that grow the insurance industry in the long term. ZEP-RE will therefore continue with partnerships and investments in Insurtech Companies to achieve overall industry growth in the short to medium term, leading to ZEP-RE growth in the long term.

DEVELOPMENT MANDATE

Ministry of Trade, Industry and Co-operatives (Kenya)

On 27th June, 2019, ZEP-RE Management together with Mr. David Kemei , Director, ZEP-RE and Chairman, Kenya- RE held a meeting with the Ministry of Trade, Industry and Co-operatives Permanent Secretary, Hon. Dr. Chris Kiptoo and his team to deliberate on ZEP-RE contribution to Kenya's economy, its business operations and how both entities can work together to transform and heighten growth of Kenya's insurance market and the economy. The Company was commended on its growth and achievements attained over the years of its operation. Both entities agreed on:

i) The need to stem insurance premium flight to the extent of capacities available within the local insurance and reinsurance market. This was acknowledged as falling within the context of local content and the need to recognize and use available domestic insurance and reinsurance services (including, by Government entities) was emphasized

ii) The support that ZEP-RE can extend to the Affordable Housing Initiative (as part of the Big Four Agenda) through its Collateral Indemnity Product (CRI)

The National Treasury (Kenya):

On 6th August 2019, ZEP-RE Management informed the team headed by Acting Director General, Budget, Fiscal and Economic Affairs, Mr. Albert Mwenda (representing the Permanent Secretary); of

(i) ZEP-RE operations in Kenya, following commencement of business in 1993 and the extent of ZEP-RE contributions to Kenya's economic growth.

(ii) the performance of the shareholding of the Government and provided motivation for additional investment.

The team further made proposals on how the Company can contribute to the sustainable implementation of the Big Four Agenda (in particular, Housing); and recommended strategies that can accelerate the growth of the Kenya insurance and reinsurance market and enable in increasing its contribution to the GDP of Kenya, with a focus on the following areas:

i) Government Affordable Housing initiative targeting the low to middle income population.

ii) Domestication of Premiums, in order to curb premium flight

Sponsorship and Participation in the Source 21 COMESA International Trade Fair & High- Level Business Summit, themed "Hallmark of Quality" organized by the COMESA Business Council in collaboration with the Kenya Manufacturers Association for the 17th - 19th July 2019, Kenyatta International Convention Center, Nairobi, Kenya

The event brought together policymakers and Private Sector from the 21 COMESA member states with the objective of deliberating on how to promote and advance cross border trade within Africa.

The Heads of States of Kenya, Uganda, Zambia and Madagascar interacted with Business Leaders and agreed on strategies that can enhance industry competitiveness, local sourcing and intra-regional trade. ZEP-RE participated in the debate and encouraged African countries to negotiate international trading policies as a bloc as opposed to individually and to build negotiations capabilities that will enable outcomes that benefit Africa.

On the whole, there was consensus on actions that need to be taken by member states on an individual and collective basis in order to turn Africa into a continental trading ground.

Support of development initiatives in Rwanda

The Company continued to provide technical support to Rwanda Social Security Board which is responsible for implementing the Country wide Social Security and Affordable Housing schemes.

Discussions were also held with the Regulator as to how insurance & reinsurance premiums can be increasingly retained within the Rwanda insurance market. The Regulator agreed to support this initiative.

FISP Programme - Zambia

The Company continues to actively support the agricultural sector by partnering with local insurance companies and international partners to provide technical expertise and reinsurance cover to the Farmer Input Support Programme (FISP). Currently over 1 million farmers benefit from the FISP programme.

Kenya - supporting the National Treasury in the development of a National Insurance Policy by The Treasury

Zep - Re participated in the stakeholders' workshop held on 24th October 2019, including industry participants, Banks and development institutions. The objective of the Policy is to strengthen the existing policy, legal and regulatory environment in order to improve access, usage and affordability of insurance products and services as well as facilitate increased contribution of the sector to the socio- economic development of Kenya.

Key aspects addressed by the workshop, included risks to the insurance sector, major opportunities as well as how Government can effectively support the growth and development of the sector and priority policy areas that require development.

Contribution to Uganda, Rwanda and Zambia insurance industry efforts to grow Insurance Inclusiveness by participation in industry forums

(a) Uganda - International Insurance Conference - Insurance Institute of Uganda 17th -18th October 2019 themed, "The Role of Inclusive insurance in delivering the Social Protection Agenda

(b) Rwanda - Speaker at the Alliance for Financial Inclusion (AFI) Global Policy Forum (GPF) hosted by the National Bank of Rwanda on 12th-13th September 2019.

ZEP-RE sponsored and participated as a panelist in the International Insurance Conference organized by the Insurance Institute of Uganda for the Insurance fraternity within and outside Africa on 17th-18th October 2019 themed, "The Role of Inclusive insurance in delivering the Social Protection Agenda". The Conference attended by over 100 delegates from within the Uganda insurance market, Tanzania, Kenya, Nigeria, and India deliberated and covered modes of growing insurance inclusiveness, including microinsurance, ICT, human capital.

ZEP-RE shared its experiences and efforts it is undertaking to drive inclusiveness extending to products that it has developed for such purpose.

Strategic forum with Regulators of the East Africa Insurance market (Kenya, Rwanda, Uganda and Tanzania (13th - 15th February 2019)

The engagement of Regulators by business and development entities such as ourselves, is crucial to spurring growth within insurance & reinsurance markets as it provides an experience sharing platform with and amongst the Regulators and insights as to how best insurance, reinsurance and regulation can work hand in hand to accelerate development of insurance & reinsurance markets within Africa and to ensure that proper and functional insurance markets that actively contribute to a country's economic development are in place.

The Forum was held in Nairobi in collaboration with the East Africa Insurance Supervisors Association (EAISA), and challenges within the EA insurance markets deliberated upon, including how these are being addressed in similar insurance & reinsurance markets as well as best practices at the global level.

Engagement of the COMESA Secretary General (17th - 18th February 2019):

A mission to Zambia (Managing Director, Head of Legal & Regulatory Affairs, Head of Zambia Office), was carried out for purposes of deliberating and mapping a way forward on the following matters:

(a) ***Necessary reforms to the CYC & RCTG Schemes*** with the intention of, among others, introducing key principles of governance and transparency as well as ensuring that the Schemes are implemented in a more cost- effective manner, expedient and aligned to local legislation.

(b) ***Externalization of Premiums:*** The extent of premiums being externalized by and to foreign insurers and reinsurers, with respect to risks attendant to infrastructure development and funded by China, Mining risks, as well as the impact on Zambia's economy was demonstrated. It was agreed that the Secretary General together with the ZEP-RE management would engage the Minister of Finance.

Inauguration of ZEP-RE Business Park

On 5th December 2019, ZEP-RE hosted various members of the COMESA and larger Zambian community in Lusaka, Zambia for the inauguration of its new business park. The multi-million-dollar structure is the first of its kind in the country and promises to greatly accelerate growth and development of the Zambian economy.

In attendance were the Secretary General of COMESA - Ms. Chileshe Mpundu Kapwepwe, His Excellency the President of the Republic of Zambia, Edgar Lungu, as well as other dignitaries. ZEP-RE's investment in this structure aligns with its mandate to spur economic development across eastern and southern Africa. The Company has taken this call to support government developmental plans seriously and this was echoed by the words of the. ZEP-RE Managing Director, Ms. Hope Murera, in her speech "A significant portion of ZEP-RE's investments are structured as syndicated loans to support government programs such as infrastructure development.

ZEP-RE further acknowledges the role the Zambia market has played in supporting the Company to become one of the leading reinsurance companies on the continent, and this real estate investment is an indication of ZEP-RE's commitment to enhancing the growth of the Zambian economy. Additional to these efforts in Zambia are ZEP-RE's contributions to financial inclusion by offering reinsurance capacity to the Farmers Input Support Programme as well as technical skills development through the ZEP-RE Academy.

BUSINESS AND FINANCIAL PERFORMANCE REVIEW (continued)

Above: The President of Zambia, His Excellency Edgar Lungu with members of ZEP-RE's Board and Management during the inauguration of the ZEP-RE Business Park in Lusaka, Zambia

Above: ZEP-RE Business Park in Lusaka, Zambia

ENTERPRISE RISK MANAGEMENT

Capital Management

ZEP-RE is not subject to any regulatory imposition on capital requirements. However, the Company's capital adequacy position at any given time has a significant bearing on its ratings. Therefore, the capital needs of the organisation are determined using the proprietary capital model of the rating agency, A.M. Best. This is a risk-based tool, under which ZEP-RE's capital requirements are calculated according to the level of risks associated with its balance sheet, like, financial, reserving and pricing risks.

Furthermore, ZEP-RE's risk appetite objective for its capital management seeks to ensure that the Company is able to continue in operation following the occurrence of extreme adverse losses arising from its operations in any given year. As per the criteria of A.M. Best, ZEP-RE is required to maintain a capital adequacy position at a level that is consistent with the value at risk measure and annual solvency probability of 99.6%. Under this scenario, the Company is expected to be able to withstand an exceptional year of losses that statistically occurs once every 250 years. At year-end 2019, ZEP-RE remained strongly capitalised and complaint with the rating agency's requirement, as the capital adequacy position remained largely supported by retained earnings.

The capital management framework seeks to secure the going concern of the organisation, guarantee the profitability of the business and safeguard the long-term and stable return on shareholders' investments, by paying out dividends based on a defined criteria, as established in the Company's dividend policy. In this manner, the risk management function regularly reviews ZEP-RE's prospective capital adequacy position, to ensure capital is optimally allocated, in view of the changes to the business environment.

Financial Strength Ratings of ZEP-RE

On the 11th December 2019, GCR upgraded ZEP-RE's national scale financial strength rating to AAA from AA+. The stable outlook on the rating was also awarded. The rating has been reviewed in line with the agency's new methodology for rating supranational institutions. At the same time, A.M. Best affirmed, the Company's financial strength rating of B++ and the issuer credit rating of 'bbb'. The outlook on the rating remained stable.

According to GCR, the key factors underpinning ZEP-RE's rating outcome, included its, fairly diversified membership base coupled with preferential treatment received in the form of mandatory cessions and tax exemptions. The agency considered positively that ZEP-RE had demonstrated a track record of receiving shareholder support to advance its development and that it maintained a strong level of risk-adjusted capitalisation and liquidity. In GCR's opinion, these factors somewhat offset the earnings pressure arising due to the inherent volatility within ZEP-RE's earning profile, as evidenced in recent years. Furthermore, the agency considered that the Company's retrocession protection also contributed to mitigating some of this volatility. ZEP-RE's established profile within the COMESA markets continued to be recognised, in addition to the good track record of providing reinsurance capital and insurance skills development in the region. Concurrently, the agency highlighted that the Company's developmental mandate exposed the organisation to relatively riskier sovereigns.

According to A.M. Best, ZEP-RE's balance sheet strength is very strong, and its operating performance is strong, while the impact of the business profile and enterprise risk management are considered to have a neutral and marginal contribution, respectively, to the rating outcome. The agency's opinion regarding ZEP-RE's very strong balance sheet strength is underpinned by the Company's risk-adjusted capitalisation, which is considered to be held at the strongest level, as well as its high earnings retention, conservative investment allocation and low underwriting leverage. The agency also recognises the Company's good financial flexibility derived through a supportive shareholder base. Nonetheless, A.M. Best points to the high-country risk exposure, through the high level of economic, political and financial system risk associated with the Company's core markets, as a partially offsetting factor underpinning its opinion of ZEP-RE's very strong balance sheet strength. The Company's strong operating performance reflects its track record of producing solid underwriting performance, with the expectation for this to continue supported by stringent underwriting controls and prudent risk selection. The agency recognises ZEP-RE's competitive position within markets that offer attractive profit potential and considers the organisation's enterprise risk management framework to be evolving.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In 2019, ZEP-RE undertook several CSR initiatives in the COMESA region in line with one of our values: "to be a responsible corporate citizen." Our focus areas have been education, community development and health. These include:

1. Global Give Back Circle

The Global Give Back Circle was designed to help at-risk girls realize their leadership potential and become change-makers, while gaining the skills needed to get a good job so that they can break the cycle of poverty and lift up their families and communities.

Mentoring has proven to improve confidence in adolescent girls, make them feel valued, while allowing them to believe in their self-worth. Investing in the education and empowerment of marginalized girls is an investment in the future of a nation.

For the period 2015-2019 ZEP-RE took under its wing two young ladies. In 2019, one of the students graduated with a First Class Honours degree in Quantity Surveying from the University of Nairobi while the other graduated with a degree in Food Technology from Eldoret University. The GGBC graduation ceremony took place on 18th May 2019.

Above: ZEP-RE staff and participants during a Global Give Back Circle event.

BUSINESS AND FINANCIAL PERFORMANCE REVIEW (continued)

2. Gashora Girls' Academy, Rwanda

In 2019, four young scholars from Gashora Girls Academy in Rwanda who had completed their 'A' Levels in November 2018, joined various universities across the globe such as the University of Global Health Equity (UGHE) in Rwanda, University of Nebraska in the United States and the University of Ghana. ZEP-RE's Virginia Gikori represented the Company at the school's 2019 graduation ceremony on 12th October 2019.

Above: ZEP-RE staff with some of the students of Gashora Girls

3. Faraja Cancer Support Trust - Kenya

The Faraja Cancer Support Trust aims at providing emotional, practical and healing support to anyone affected by cancer. The Trust works alongside several institutions and hospitals that offer conventional cancer treatments such as radiotherapy, chemotherapy and surgery.

ZEP-RE participated in the water rafting challenge for the first time in May 2018. ZEP-RE sent two teams in 2019, one of which took position 3 in the race competition and the Company was acknowledged as the top sponsor of the event.

*ZEP-RE staff participating in the 2019 White Water Rafting Challenge organized by **Faraja Cancer Support Trust***

4. Standard Chartered Nairobi Marathon

ZEP-RE's Nairobi team participated in the Standard Chartered Nairobi Marathon held on 27th October 2019 with participants in both the half and full marathon. In 2019, proceeds from the marathon were directed toward the bank's new global campaign to "help the next generation learn, earn and grow." This campaign aims to tackle the income inequality and increase economic inclusion for young people across the bank's markets, with a special focus on girls and the visually impaired.

BUSINESS AND FINANCIAL PERFORMANCE REVIEW (continued)

Above are some of the ZEP-RE staff who participated in the 2019 Standard Chartered Nairobi Marathon

Other Social initiatives;

5. **RGA Golf Tournament Zimbabwe**

   On 28th July 2019 ZEP-RE sponsored the RGA Golf Tournament that took place in Harare, Zimbabwe.

6. **Insurance Brokers Association of Uganda**

   ZEP-RE sponsored the Insurance Brokers Association of Uganda's inaugural conference on 5th April 2019 and were awarded a certificate of recognition.

7. **Ministry of Primary Education Zimbabwe**

   ZEP-RE joined other partners in donating funds to the Ministry of Primary Education of Zimbabwe for the promotion of primary education in the country.

8. **Cell Insurance Zimbabwe / ZESA Awards Sponsorship**

   ZEP-RE has been a key sponsor of the annual ZESA Awards, organized by Cell Insurance Company, which it sponsored on 12th July 2019.

9. **National Bank of Rwanda - Alliance for Financial Inclusion (AFI) Conference Sponsorship**

   ZEP-RE donated funds to the National Bank of Rwanda to enable it host the AFI conference under the theme "Using Technology for Inclusion of Women and Youth".

   Over 800 global policy makers, regulatory institutions and development partners attended the event held between 11th and 13th September 2019.

   As a global policy leadership alliance of around 100 member institutions, AFI's mandate is to adopt and issue guidance, policy models and frameworks that translate into practical solutions needed to bring financial services to the remaining 1.7 billion unbanked across the network and beyond.

   Participants at the conference deliberated on financial inclusion at length and the host country showcased their experience and were able to highlight how the use of technology could bring progress in financial inclusion for marginalized groups, especially women and youth. This ties up with ZEP-RE's motivation to ensure equity for all, especially women in Africa.

10. **COMESA Business Round Table Conference Sponsorship - 17th July 2019 Nairobi**

11. **Insurance Institute of Uganda - ICTU International Insurance Conference on 17th - 18th October 2019 Sponsorship**

12. **Insurance Association of Zambia - Sponsorship on 25th September 2019**

OUR PEOPLE

ZEP-RE staff are the most critical resource that drives the Company's vision and service to our clients. During the year 2019, an additional 12 new members of staff were recruited from the COMESA region. The new hires boosted areas of Finance, Underwriting, Actuarial and Business Analytics. At the end of the year 2019, our staff compliment was 77. The Company remains committed to ensuring it has equal gender representation in its work force. As at end of the year, the gender ratio of male to female composition was 53% to 47%.

Furthermore, the Company has made deliberate efforts in creating a conducive environment for our female staff such as

- Flexi working hours. This allows mothers who return from maternity to work a minimum of 30 hours instead of 40 hours a week for a period of 3 months whilst receiving full pay and benefits.
- Maternity cover: This was revised to facilitate access to better and professional medical services.
- Lactation room: Provision of a private room for nursing mothers

ZEP-RE maintains focus on skills development to ensure its staff are continuously skilled and positioned to offer professional services that meet needs of the market. In 2019 the Company maintained its focus on training and developing its staff to keep them abreast with the professional requirements of the business. Training resources were allocated in line with each staff's personal development plans, business unit requirements and the general strategic focus of the Company. Critical disciplines undertaken in the 2019 training calendar included Management Development and specialized professional programs in reinsurance and actuarial competency.

The Company's Young Professional Program (YPP) was upheld as a pillar to developing skills for young professionals in the industry. In the year 2019, the YP Program sourced and trained 5 young professionals from Kenya, Zambia, Zimbabwe and Ethiopia in the fields of Underwriting, Legal, Accounting and Actuarial Sciences.

We are pleased to report that past beneficiaries of the YP Program quickly get absorbed into the insurance industry of their respective countries and in some cases directly into ZEP-RE to put in practice their newly acquired skills. The young professionals bring to the industry the kind of impact that ZEP-RE envisaged when it started the program - loads of fresh ideas, knowledge, hands-on experience and innovation.

Several initiatives were realized in 2019. The Company automated its Performance Management System by implementing Adrenalin, a system which provides a full-cycle performance management framework.

2020 OUTLOOK

The world economy is expected to enter a recession as all regions except emerging and developing Asia are estimated to post negative growth. Growth in emerging and developing Asia is estimated to decline from 5.6% in 2019 to 1% in 2020 as the biggest economy in that region, China experiences considerably slow growth from 6.1% in 2019 to 1.2% in 2020. The Euro area is expected to be hit the hardest therein contracting (from 1.2% in 2019 to −7.5% in 2020), followed by the USA with an estimated decline from 2.3% growth in 2019 to -5.8% in 2020.

The COVID - 19 pandemic has so far had a negative financial impact and is expected to worsen as highlighted below:

Underwriting Risk - The underwriting risk is expected to increase due to:

- High mortality rates on life business
- Increased fraud risk on medical business
- Reduction of primary market growth (hotel, manufacturing, commercial, engineering) affecting growth opportunities for reinsurers
- Risk of regulatory intervention for market to pay excluded pandemic claims

BUSINESS AND FINANCIAL PERFORMANCE REVIEW (continued)

Investment Risk - The financial impact is expected to affect;

- Global financial market crisis - loss of investment value, lower income, reinvestment risk
- Increased default risks;
- Local currency depreciation against US dollar.

As a response to the COVID-19 pandemic and in order to promote operational effectiveness, the Company has activated its business continuity plans which are meant to address the fast-moving and unknown variables of an outbreak such as COVID-19. These have taken into account the widespread quarantines, extended school closures and added travel restrictions that have been set up in the different countries where the Company operates.

Our continuous investment in the IT infrastructure has ensured that most of our operations have continued smoothly and we remain in touch with key stakeholders including our clients, board and shareholders.

APPRECIATION

I take this opportunity to express my appreciation and gratitude to the management team and staff for their contribution in making our Company the success it has become, and our business partners and clients for their support and loyalty. I would also like to thank the ZEP-RE Board of Directors for their support, wisdom, and counsel. Despite a challenging business environment, I am proud of what we have achieved during the year.

Thank you.

Hope Murera

Managing Director, ZEP-RE

GOVERNANCE STATEMENT

ZEP-RE is committed to good principles of Corporate Governance. We adhere to responsible Company management and control with specific focus on long term creation of wealth, continued value addition to our shareholders and recognition of the interest of other stakeholders. We place critical importance on promoting and respecting the interests of shareholders, efficient practices at all decision levels and a communication policy that is open and transparent both internally and externally.

The key aspects of our approach to Corporate Governance are as follows: -

CORPORATE GOVERNANCE STANDARDS

As a regional organisation, ZEP-RE is not subject or required to comply with any one particular local jurisdiction but has the benefit of drawing upon best practices of corporate governance from different parts of the world including the Australian Code of Corporate Governance Principles and Recommendations, the Common Wealth Association for Corporate Governance (CACG) Guidelines: Principles for Corporate Governance in the Commonwealth, the Kenyan Code of Best Practice for Corporate Governance, and the UK Corporate Governance Code.

GOVERNANCE STRUCTURE

ZEP-RE is a limited liability Company governed by the Agreement establishing the Company, a multi-state agreement that established the Company and governs the way it operates. The Company has three main governing organs namely the General Assembly, the Board of Directors and Management team.

General Assembly

The General Assembly is the highest organ of the Company and is constituted by the shareholders. All powers of the Company are vested in the General Assembly.

Share Classes

The Company's shareholders are divided into three classes: -

(a) Class A shareholders - They comprise Member States and Signatory States, institutions owned by Member States or Signatory States and COMESA institutions who elect to become members subject to ratification by the General Assembly.

(b) Class B shareholders - Private insurance and reinsurance institutions from the region and eligible investors from the within and outside the Region (Class 'B' Shareholders).

(c) Class C shareholders - Development finance institutions.

Non delegable powers of the General Assembly

Under the Charter, the following key powers are reserved for the General Assembly and may not be delegated under any circumstances: -

- Increasing of the authorised Share Capital of the Company;
- Electing and removing Directors and their Alternates and determining their allowances;
- Appointing and dismissing the Managing Director;
- Selecting external auditors of the Company and to certify the balance sheet and the statement of profit and loss of the Company;
- Allocating and distributing the net income of the Company;
- Terminating the operations of the Company and distribute its assets;
- Admitting new Members.

At ZEP-RE, the principle of "one share, one vote" applies. Shareholders may exercise their voting rights personally or through a proxy appointed in writing.

Board of Directors

Role

The Board of ZEP-RE is responsible for the overall direction of the business of the Company and is accountable to the shareholders for the operations of the Company.

The Charter of the Company outlines the following key functions of the Board:-

- Administering the organisation structure and determining the responsibilities attaching to all posts within the Company.
- Determining the terms of service of the Managing Director.
- Approving the budget of the Company.
- Provide guidance and ensuring that the Company operates on sound reinsurance principles.
- Submission to the General Assembly for approval the accounts for each financial year and an annual report.
- Preparing the work of the General Assembly and disseminate its decisions.

The terms of service and remuneration of the Board are determined by the General Assembly.

Appointment

The appointment of the Board Members is done every three years through a formal and transparent election process that involves the entire membership of the Company. Each member is given the opportunity to nominate candidates to the vacant positions of Director and Alternate Director and all members participate in the voting and appointment of Directors. Mid-term replacements are done through transparent by-elections. As resolved at the 27th Annual General Assembly held on 29th June 2018, prior to appointment by members, all Director and Alternate Director's nominations are submitted to a special vetting committee of the Board for review with the objective of ensuring that the nominees possess the best qualifications and are "best fit" for the Company.

Composition

The current Board comprises 11 Non-Executive Directors' (including one independent Director) and the Managing Director serving in an ex officio capacity. Senior management officials of the Company attend Board meetings by invitation.

Independent Director

In line with the resolutions passed by the 26th and 27th Annual General Assembly respectively introducing the Independent Director position on the Board and rules governing the appointment of Independent Directors; a special vetting Committee of the Board reviewed three (3) resumes sourced through references, following which Mr. Simon Chikumbu on recommendation of the Board, was elected as Independent Director.

Access to information and resources

All Directors have access to management and to such information as is needed to carry out their duties and responsibilities fully and effectively. The Board is also kept informed of the latest developments regarding the Company's business.

During the year, the Directors were provided with appropriate and timely information by management to enable the Board to maintain full and effective control over strategic, financial, operational and compliance issues. Among the important issues considered by the Board in 2019 included approval of the 2018 financial statements, implementation of the IB strategy plan, a review of operational performance in 2019, approval of the 2020 budget and the operational work plan.

Implementation of strategy

The Board is responsible for providing strategic direction and strategic oversight. However, the primary responsibility of implementing strategy and day to day operations has been delegated to the Managing Director. The Managing Director is supported in this role by a Management team.

Charter

The Board of Directors is guided by a Charter that steers Board operations and helps Directors take advantage of each member's professional competencies and personal qualities to ensure the effectiveness of Board operations.

Other legal instruments

In addition, the Board has in place other legal instruments including a Code of Business Conduct and Ethics, Rules of Procedure to guide the conduct of meetings and an Evaluation Policy to enable review the board's performance and

Internal Control Framework

The Board acknowledges its overall responsibility for the Company's internal control system and for reviewing its effectiveness. Management is accountable to the Board for monitoring this system and for providing assurance that it has done so. The Company has in place an internal control framework that is meant to ensure that the business, operational, financial and compliance risks are effectively managed.

Board Committees

To assist the Board in the performance of its duties, the Board Risk & Audit Committee, the Board Strategy & Investments Committee and the Nominations, Remuneration & Human Resources Committee have been put in place. The Committees operate under clearly defined mandates which spell out their responsibilities, scope of authority and procedure for reporting to the Board.

The Committees have unlimited access to Company information, the advice and services of Management and may seek independent professional advice on any matter within their purview.

Board Risk and Audit Committee

For the first meeting of the year, the Board Risk and Audit Committee comprised of Mr. Caleb Rwamuganza (Chairman), Mr. Aden Saleh Omar, Mr. Novat Niyungeko and Mr. Jan Gross. After the appointment of a new Board by the 28th Annual General Assembly, a new Committee was reconstituted and comprises of Mr. Simon Chikumbu (Chairman), Mr. Ewan Wheeler, Mr. Daher Robleh Warsama, Ms. Christabel Banda, Ms. Chileshe Mpundu Kapwepwe, Mr. Jadiah Mwarania (Alternate Director).

The Committee's main objective is to promote good corporate governance and enhance accountability within the Company by: -

(a) Ensuring that the Company implements best practice standards in risk management, legal, ethical and moral practices.

(b) Ensuring the highest standards in financial reporting.

(c) Advising and ensuring that the Board of Directors makes informed decisions regarding risk management issues, accounting and financial policies.

(d) Providing guidance to the Company on how to augment the risk management regime.

(e) Constantly reviewing Internal and External audit systems and reports.

(f) Ensure and maintain shareholder/investor confidence in the Company.

The Committee which serves in an advisory capacity to the Board and held three (3) meetings in 2019.

The External Auditor and Internal Auditor have unrestricted access to and submit formal reports to the Audit Committee.

Board Strategy and Investments Committee

For the first meeting of the year, the Board Strategy and Investments Committee comprised of Mr. Yaw Kuffour (Chairman), Ms. Hope Murera (Managing Director), Mr. Tadesse Admassu, Ms. Carole Amelie Agito and Mr. Jan Gross. After the appointment of a new Board by the 28th Annual General Assembly, a new Committee was reconstituted and comprises of Mr. Jan Gross (Chairman), Ms. Hope Murera (Managing Director), Mr. Caleb Rwamuganza, Mr. Tadesse Admassu, Mr. Ewan Wheeler, Mr. Simon Chikumbu

The Committee's main objectives are to assist the Board in fulfilling its obligations by providing guidance and making recommendations to the Board on the following matters:-

(a) Implementation and or revision of all Company strategy initiatives,

(b) Provide guidance and oversight on the investment policy of the Company and all major investment transactions,

(c) Monitor the effectiveness of strategy plans and investment policies.

The Board Strategy and Investments Committee held three (3) meetings in 2019.

Board Nominations, Remuneration and Human Resources Committee

For the first meeting of the year, the Board Nominations, Remuneration and Human Resources Committee comprised of Mr. George Silutongwe (Chairman), Mr. Novat Niyungeko and Mr. Mohamed Musa Idris. After the appointment of a new Board by the 28th Annual General Assembly, a new Committee was reconstituted and comprises of Ms. Christabel Banda (Chairperson), Ms. Chileshe Mpundu Kapwepwe and Mr. Mohamed Musa Idris.

The Committee is charged with the primary responsibility of examining and reviewing the selection and appointment system for Board members, appraisal standards and remuneration incentive proposals of directors and senior management and the monitoring, evaluation, advisory and making recommendations to the Board with regard on all issues affecting staff working conditions.

The Nominations, Remuneration and Human Resources Committee held three (3) meetings in 2019.

Committees Reporting to the Board

The Committees through their respective Chairpersons submitted reports to the Board.

Directors' Remuneration

For services on the Board and Board Committees, Directors received remuneration in line with terms approved by the General Assembly. In 2019 the aggregate amount of emoluments paid to by Directors' is shown in Note 35 (ii) to the financial statements.

Board Attendance in 2019

The table below shows Board and General Meetings attendance by substantive Directors or through their Alternates, prior to and after the election of a new Board at the 28th Annual General Meeting.

	Attendance of Board and AGM Meetings in 2019			
	94th Board	28th AGM	95th Board	96th Board
Mr. William Erio*	√	√	√	√
Ms. Carole Amelie Agito**	√	√		
Ms. Hope Murera	√	√	√	√
Mr. Mohammed Idris***	√	√	√	√
Mr. Caleb Rwamuganza	√	√	√	√
Mr. Aden Saleh Omar	√	√		
Mr. Yaw Kuffour	√	X		
Mr. Jan Gross	√	X	√	X
Mr. Tadesse Admassu****	√	√	√	√
Mr. George Silutongwe	√	√		
Mr. Novat Niyungeko	√	√		
Mr. David Kemei*****	√	√		

	NEW BOARD MEMBERS			
			√	√
Mr. Ewan Wheeler			√	√
Mr. Simon Chikumbu			√	√
Mr. Daher Warsama Robleh			√	√
Ms. Chileshe Mpundu Kapwepwe			√	√
Ms. Christabel Banda			√	√

*Re-elected by the 28th AGM.

**Represented in all meetings during the year by the Alternate Director Mr. Alexandre Luc Miruho.

*** Re-elected and represented in all meetings during the year by Alternate Director Mr. Zuheir Hassan Ibrahim Eisa.

****Re-elected and represented at AGM by Alternate Ms. Joy Ntare.

***** Re-elected and replaced in August 2019 by Kenya Reinsurance Corporation with the new Chairman of Kenya Reinsurance Corporation, Mr. Chiboli Induli Shakaba. Noting that appointments to the Board are by the AGM (Article 11(3) (b) of the Agreement Establishing the Company), Kenya Reinsurance Corporation was represented by the Alternate Director & Managing Director of Kenya Reinsurance Corporation, Mr Jadiah Mwarania for the remainder of 2019.

Corporate Governance review and Board training

A comprehensive review of the Company's corporate governance standards was carried out in 2018 by Nestor Advisers (a global leader based in the United Kingdom in providing corporate governance advisory services). The project was co- funded by DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH. A final report on the assessment was provided in March 2019 and reviewed by the Board. Whilst it was established that a comprehensive governance policy framework and strong controls are in place, improvements in furtherance to best practice were recommended. A training was carried out for the Board by Nestor Advisers and the report is under consideration. At 31 December 2019, the following recommendations have been implemented:

(i) The Board skills matrix and nominations vetting committee are in place.

(ii) The Board elected by the 28th Annual General meeting includes an Independent Director and a varied range of skills and experience in Audit, Risk, Accounting, Reinsurance, Strategy, Investments, Government relations as well as sectoral development.

(iii) A comprehensive board induction was undertaken for the new Board.

(iv) Board trainings on Enterprise Risk Management, rating criteria and best corporate governance practice were carried out.

(v) Risk management reports form part of the periodic reports considered by the Board and the Board Audit & Risk Committee.

(vi) Periodic reports are provided to shareholders & external stakeholders on developments within the Company.

Managing Director and the Management team

The Managing Director is responsible for the day to day running of the Company. He or She is appointed by the General Assembly upon recommendation of the Board of Directors' on a fixed term renewable contract. He or She reports regularly to the Board on the operations of the Company.

The Managing Director is assisted in his or her role by a Management team. The members of the Management team are appointed by the Board of Directors' on fixed term renewable contracts. Various rules and policy documents issued by the Board of Directors' determine the manner Management shall manage the Company and carry out decisions.

The Board monitors the performance of Management and gives counsel and direction where necessary. Certain issues and transactions such as strategy direction, major investments or capital expenditure require the approval of the Board.

The Board does not engage in day to day operational issues.

Chairman

Managing Director

REPORT OF THE DIRECTORS

The Board of Directors hereby submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of the Company. The report is made in accordance with the provisions of Article 31 of the Agreement Establishing ZEP–RE (PTA Reinsurance Company).

Principal activities

The Company underwrites all classes of life and non-life reinsurance risks as mandated under Article 5 paragraph 1 of the Agreement establishing ZEP–RE (PTA Reinsurance Company). The business is divided into the following business classes:

- Property
- Casualty
- Motor
- Marine
- Aviation
- Life
- Medical

Results and dividend for the year

The profit for the year of US$ 28.77 million (2018: US$ 10.14 million) has been transferred to retained earnings. The Directors recommend a dividend of US$ 5,000,000 for the year ended 31 December 2019 (2018: US$ 2,500,000). The proposed dividend is to be issued as bonus shares of 1 bonus share for every 79 shares held as at 31 December 2019.

Directors

The current Directors of the Company are shown on page 1. This Board was elected by the 28th Annual General Assembly held in Nairobi, Kenya on 24th June 2019 for a term of three years and its term will come to end in 2022.

Changes to the Board

In August 2019, Kenya Reinsurance Corporation Limited communicated a change in its representation on the Board from Mr. David Kemei to its new Chairman, Mr. Chiboli Induli Shakaba.

In accordance with Article 11 (3) b of the Agreement Establishing the Company which vests the power of election of Directors in the General Assembly, Kenya Reinsurance Corporation was accordingly represented by its Alternate Director, Mr. Jadiah Mwarania, the Managing Director of Kenya Reinsurance Corporation for the remainder of 2019. A by- election to appoint Mr. Chiboli Induli Shakaba as the substantive Director representing Kenya Reinsurance Corporation on the Board will be conducted at the 29th Annual General Meeting.

The Board expresses its most sincere gratitude to Mr. David Kemei for the committed service he rendered to the Company during his tenure.

Secretary

Miss Miriam Magala was appointed to replace Mr. Jerry Sogoli as Company Secretary in July 2019.

The Board expresses its most sincere gratitude to Mr. Jerry Sogoli for the dedicated service rendered to the Company for the period he served as Company Secretary.

Auditors

In line with best practice, the recruitment of External Auditors for the forthcoming year will be subjected to a competitive bid. Accordingly, a resolution containing proposals in this regard will be submitted to the Annual General Assembly. (subject to adjustment dependent on Committee decision).

BY ORDER OF THE BOARD

SECRETARY

2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Article 31 of the Agreement establishing ZEP-RE (PTA Reinsurance Company) requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the financial year and its financial performance for the year then ended. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Agreement establishing ZEP-RE (PTA Reinsurance Company). They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and as per the Agreement establishing ZEP-RE (PTA Reinsurance Company). They also accept responsibility for:

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then applying them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances.

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

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

Approved by the Board of Directors on 27 March 2020 and signed on its behalf by:

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Chairman	Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZEP-RE (PTA REINSURANCE COMPANY)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of ZEP-RE (PTA Reinsurance Company) (the "Company") set out on pages 54 to 113 which comprise the statement of financial position at 31 December 2019 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of ZEP-RE (PTA Reinsurance Company) at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Article 31 of the Agreement establishing ZEP-RE (PTA Reinsurance Company).

Basis for opinion

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

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

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

Other information

The other information comprises Corporate information, The Board of Directors' profiles, Notice of the 29th Annual General Assembly, Report of the Chairman of the Board of Directors, Corporate governance report, Report of the Directors, Statement of Directors' responsibilities and Supplementary information which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of Article 31 of the Agreement establishing ZEP-RE (PTA

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZEP-RE (PTA REINSURANCE COMPANY) (continued)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

PricewaterhouseCoopers LLP

Certified Public Accountants 29 June 2020

Nairobi

FCPA Richard Njoroge, Practising certificate No. 1244

Signing partner responsible for the independent audit

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December	Notes	2019 US$	2018 US$
Gross premiums written	3	207,109,631	178,534,940
Less: Retrocession premiums		(59,677,839)	(51,943,363)
Net written premiums		147,431,792	126,591,577
Movement in unearned premiums reserve		(4,189,771)	(5,653,370)
Net earned premiums		143,242,021	120,938,207
Investment income	4	28,864,000	14,429,275
Commissions earned		9,494,507	11,404,036
Other income		1,048,384	1,506,550
Total income		182,648,912	148,278,068
Gross incurred claims	5	95,055,029	83,187,852
Less: amounts recoverable from retrocessionaires		(11,676,446)	(8,382,904)
Net claims incurred		83,378,583	74,804,948
Operating and other expenses	6	20,960,145	17,972,448
Commissions expenses		49,544,699	45,355,912
Total outgo		153,883,427	138,133,308
Profit for the year		28,765,485	10,144,760
Other comprehensive income for year			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on revaluation of property	25(ii)	92,741	20,703
Fair value gain/(loss) on revaluation of equity investments	25(i)	2,750,956	(3,945,856)
Foreign exchange (loss)/ gain on revaluation of equity investments	25(i)	(41,026)	208,344
Fair value gain/(loss) on revaluation of offshore investments	25 (i)	1,180,871	(530,199)
Fair value gain on revaluation of investment in affiliated companies	25 (iii)	1,191,014	1,351,023
Total other comprehensive income for the year		5,174,556	(2,895,985)
Total comprehensive income for year		33,940,041	7,248,775
Earnings per share:			
- Basic and diluted	7	0.503	0.178

STATEMENT OF FINANCIAL POSITION

At 31 December	Notes	2019 US$	2018 US$
ASSETS			
Property and equipment	9	2,123,634	1,798,622
Intangible assets	10	495,737	256,107
Investment properties	11	50,557,043	27,777,039
Equity investments	12	25,377,958	22,295,615
Investment in affiliated companies	12	21,389,686	20,198,672
Receivables arising out of reinsurance arrangements	13	36,645,827	36,980,365
Deposits retained by ceding companies	14	5,883,243	5,590,671
Retrocessionaires share of reinsurance liabilities	15	32,360,272	31,149,478
Other receivables	16	5,958,116	9,510,805
Deferred acquisition costs	17	11,392,067	10,127,063
Government securities	18	107,801,093	97,159,762
Offshore investments	19	24,954,423	9,944,024
Deposits with financial institutions	20	105,475,246	106,759,144
Corporate bonds and loans	21	1,011,410	1,088,996
Cash and bank balances	22	3,600,224	3,338,914
Total assets		435,025,979	383,975,277
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	24	57,255,956	57,068,271
Share premium	24	51,341,712	50,395,786
Property revaluation reserve	25	644,751	552,010
Investments revaluation reserve	25	(231,713)	(4,122,514)
Investment in affiliated companies revaluation reserve	25	7,743,605	6,552,591
Retained earnings	26	145,565,224	119,299,739
Total equity		262,319,535	229,745,883
LIABILITIES			
Reinsurance contract liabilities	27	95,341,416	90,396,723
Provision for unearned premiums and unexpired risks	28	42,630,213	37,999,423
Deferred income	29	59,495	60,310
Payables arising from retrocession arrangements	30	11,594,070	10,334,191
Payables arising from reinsurance arrangements	30	6,754,962	5,294,529
Deposits retained on ceded reinsurance business		638,968	695,656
Deferred retrocession commission revenue	31	2,756,449	2,331,202
Other payables	32	11,361,998	5,760,184
Dividends payable	33	1,568,873	1,357,176
Total liabilities		172,706,444	154,229,394
Total equity and liabilities		435,025,979	383,975,277

The financial statements on pages 54 to 113 were approved and authorised for issue by the Board of Directors on 27 March 2020 and were signed on its behalf by:

Chairman

Managing Director

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Property revaluation reserve	Investments revaluation reserve	Investment in affiliated companies revaluation reserve	Retained earnings	Total
		US$	US$	US$	US$	US$	US$	US$
At 1 January 2018		56,946,503	49,788,160	531,307	145,197	5,201,568	114,838,344	227,451,079
Changes on initial application of IFRS 9		-	-	-	-	-	(683,365)	(683,365)
Total comprehensive income for the year		-	-	20,703	(4,267,711)	1,351,023	10,144,760	7,248,775
Transactions with owners								
Shares issued during the year	24	24,441	121,959	-	-	-	-	146,400
Dividends declared	33	-	-	-	-	-	(5,000,000)	(5,000,000)
Issue of shares through capitalisation of 2017 dividends	33	97,327	485,667	-	-	-	-	582,994
At 31 December 2018		57,068,271	50,395,786	552,010	(4,122,514)	6,552,591	119,299,739	229,745,883
At 1 January 2019		57,068,271	50,395,786	552,010	(4,122,514)	6,552,591	119,299,739	229,745,883
Total comprehensive income for the year		-	-	92,741	3,890,801	1,191,014	28,765,485	33,940,041
Transactions with owners								
Shares issued during the year	24	24,238	122,162	-	-	-	-	146,400
Dividends declared	33	-	-	-	-	-	(2,500,000)	(2,500,000)
Issue of shares through capitalisation of 2018 dividends	33	163,447	823,764	-	-	-	-	987,211
At 31 December 2019		57,255,956	51,341,712	644,751	(231,713)	7,743,605	145,565,224	262,319,535

STATEMENT OF CASH FLOWS

Year ended 31 December	Notes	2019 US$	2018 US$
OPERATING ACTIVITIES			
Cash generated from operating activities	36	33,925,093	20,475,457
Interest paid on lease liabilities	32	(39,636)	-
		33,885,457	20,475,457
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9	(154,608)	(497,406)
Purchase of intangible assets	10	(266,088)	(40,251)
Purchase of investment properties	11	(8,652,832)	(4,935,011)
Purchase of equity investments	12(i)	(2,751,326)	(12,247,218)
Purchase of offshore investments		(15,124,064)	-
Purchase of government securities		(121,564,227)	(41,135,848)
Proceeds on maturity of government securities		110,922,896	41,927,071
Proceeds of disposal of offshore securities		1,294,536	6,839,982
Proceeds of disposal of property and equipment		21,883	1,715
Proceeds of disposal of equity investments		2,378,913	1,300,025
Movement in corporate bonds and loans		77,586	1,003,397
Net movement in deposits with financial institutions		18,895,053	(27,226,761)
Net cash used in investing activities		(14,922,278)	(35,010,305)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of issue of shares		146,400	146,400
Dividends paid	33	(1,301,092)	(4,056,004)
Payment of the principal portion of lease liability	32	(56,856)	-
Net cash generated from financing activities		(1,211,548)	(3,909,604)
NET DECREASE IN CASH AND CASH EQUIVALENTS		17,751,631	(18,444,452)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		7,732,136	26,176,588
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	37	25,483,767	7,732,136

1 ESTABLISHMENT

The Company was established by member states of the then Preferential Trade Area for Eastern and Southern Africa (now COMESA) for purposes of:

a) Fostering the development of the Insurance and Reinsurance industry in the COMESA sub-region;

b) Promotion of the growth of national, sub-regional and regional underwriting and retention capacities; and

c) Supporting sub-regional economic development.

The Company is domiciled in Kenya and has regional offices in Cote D'Voire, Zimbabwe, Zambia and a Retakaful Window in Sudan.

2 SIGNIFICANT ACCOUNTING POLICIES

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

For the purposes of reporting under the Article 31 of the Agreement establishing ZEP-RE (PTA Reinsurance Company), in these financial statements the balance sheet is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

(a) Basis of preparation

(i) New standards and interpretations adopted by the Company

The following standards and interpretations have been applied by the Company for the first time for the financial reporting year commencing on or after 1 January 2019:

IFRS 16 Leases

From 1 January 2019, to comply with IFRS 16, Leases, which replaced IAS 17, Leases, the Company now recognises lease liabilities relating to leases under which the Company is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 January 2019 and leases of low value items).Such liabilities have been measured at 1 January 2019 at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate as at 1 January 2019. Corresponding right-of-use assets have been recognised, measured as if the Company's new accounting policy had been applied since the commencement of each lease but discounted using the Company's incremental borrowing rate as at 1 January 2019.

As permitted by the transition provisions in the new Standard, comparative amounts have not been restated.

The Company's accounting policy for leases under which the Company was lessee was, up to 31 December 2018, as follows:

Leases of property and equipment where the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) New standards and interpretations adopted by the Company (continued)

IFRS 16 Leases (continued)

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

The measurement of assets and liabilities that were recognized as finance leases under the previous accounting policy has continued unchanged. The Right-of-use assets have been classified under property and equipment (see Notes 9). Right-of-use assets and lease liabilities in respect of operating leases (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) in force at 1 January 2019 have been recognized in accordance with the transition requirements of IFRS 16.The resulting adjustment passed at 1 January 2019 as a result of applying IFRS 16, was as follows:

	US$
Lease liabilities	407,984
Right- of- use assets	407,984

There was nil impact in retained earnings as at 1 January 2019.

The Company applied the following standards and interpretations for the first time for their annual reporting period commencing 1 January 2019 and they did not have a significant impact on the financial statements:

IFRIC 23 *Uncertainty over Income Tax Treatments*

The Interpretation, applicable to annual periods beginning on or after 1 January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation

The amendments, applicable to annual periods beginning on or after 1January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

IFRS 17 Insurance Contracts

IFRS 17 effective 1 January 2023 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: (i) discounted probability-weighted cash flows; (ii) an explicit risk adjustment; and (iii) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

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

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The quantitative impact of adopting IFRS 17 is expected to be material, however, this is yet to be determined.

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

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

(b) Income recognition

i) Premium

Gross written premium and the related expenses are based upon reports from ceding companies.

Premiums relating to the expired risk period are taken as earned and recognised as revenue for the period while premium relating to the unexpired risk period is treated as a provision for unearned premium.

ii) Commissions

Commissions receivable are recognised as income in the period in which they are earned.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income recognition (continued)

iii) Retrocessions ceded

Retrocession premiums payable are recognised in the period in which the related premium income and claims are earned /incurred, respectively.

The Company uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce its risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Company of its obligations to its cedants. The Company regularly reviews the financial condition of its retrocessionaires. Premium and losses ceded under retrocession contracts are reported as reductions of premiums

earned and claims incurred. Amounts recoverable from or due to retrocessionaires are measured consistently with the amounts associated with the retroceded reinsurance 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.

Retrocessionaires' shares of outstanding claims and unearned premium reserves are reported as assets in the statement of financial position.

iv) Claims incurred

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

v) Deferred acquisition costs (DAC) and deferred retrocession commission revenue (DRR)

Deferred acquisition costs and deferred retrocession commission revenue comprise insurance commissions, brokerage and other related expenses incurred and revenue received that relate to un-expired polices at year end.

These costs and revenues are recognised over the period in which the related revenues are earned.

vi) Interest income

Interest income is recognized on a time proportion basis that takes into account the effective yield on the principal outstanding.

vii) Dividend income

Dividends receivable are recognised as income in the period in which the right to receive payment is established

viii) Rental income

Rental income is recognised on a straight line basis over the period of the lease.

All investment income is stated net of investment expenses.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Currency translation

i) Functional and Presentation Currency

Even though the Company is domiciled in Kenya whose functional currency is Kenya Shilling, the Company operates in many countries and has significant activities of the Company being conducted in United States Dollars (US$). As such the Company's functional currency is the United States Dollars (US$). The financial statements are presented in United States Dollars (US$) which is the Company's Functional and Presentation Currency.

ii) Transactions and balances

Transactions during the year in currencies other than the US Dollar are translated using the exchange rates prevailing at the dates such transactions occur. The resultant gains or losses from such translation are recognised in profit or loss.

Monetary assets and liabilities expressed in the various functional currencies of member states are translated into United States Dollars (US$) using the closing rate. Non-monetary items carried at fair value that are denominated in these functional currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a currency other than the US dollar are not retranslated.

The resultant translation gains or losses on translation of the monetary assets and liabilities are recognised in profit or loss.

(d) Receivables and payables related to reinsurance contracts

Receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. These include amounts due to and from cedants and brokers. Subsequent to initial recognition, receivables related to reinsurance contracts are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment, with the impairment loss determined using the expected credit loss model, recorded in the statement of profit or loss.

(e) Intangible assets - computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (not exceeding 5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their estimated useful lives.

Gains or losses arising from de-recognition 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 derecognized.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property and equipment

All property and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation and any accumulated impairment losses. All other property and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

Increases in the carrying amount of land and buildings arising from revaluations are credited to other comprehensive income and accumulated in the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. All other decreases are charged to profit or loss. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Freehold land is not depreciated. Depreciation is calculated on other property and equipment on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Buildings	50 years
Motor vehicles	4 years
Office furniture and fittings	8 years
Office equipment	8 years
Computers	3 years

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

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to their carrying amounts. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined annually by external independent valuers. Fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset.

Investment properties are not subject to depreciation. Changes in their carrying amount between the ends of each reporting periods are recognised through profit or loss. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its disposal. On the retirement or disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss for the year.

(h) Financial instruments

A financial asset or liability is recognised when the Company becomes party to the contractual provisions of the instrument.

(i) Classification

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investment properties

(iii) Measurement (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:

(i) the Company's business model for managing the financial assets; and

(ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

Business model: the business model reflected how the Company manages the assets in order to generate cash flows i.e. whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iii) Measurement (continued)

Debt instruments (continued)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flow represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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

Equity instruments

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

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Determination of fair value

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iv) Determination of fair value

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

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

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

(v) Impairment

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

√ An adverse change in the payment status of issuers or debtors in the Company; or

√ National or local economic conditions that correlate with defaults on the assets in the Company

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(v) Impairment (continued)

- Government securities measured at amortised cost;
- Receivables arising from reinsurance arrangements;
- Other receivables;
- Corporate bonds;
- Deposits with financial institutions; and
- Cash and bank balances.

No impairment loss is recognised on equity investments and offshore investments measured at FVOCI.

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

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

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

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

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

Measurement of expected credit losses

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(v) Impairment (continued)

Measurement of expected credit losses (continued)

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

Expected credit losses

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

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, the Company follows one of the approaches below:

- The general approach
- The simplified approach

The Company will apply the approaches below to each of its assets subject to impairment under IFRS 9:

Financial Asset	Impairment approach
Receivables arising out of reinsurance arrangements	Simplified approach
Other receivables	General approach
Government securities at amortised cost	General approach
Corporate bonds	General approach
Deposits with financial institutions	General approach
Cash and bank balances	General approach

The General Approach

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

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Company will recognise 12 month ECL and recognise interest income on a gross basis - this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Company will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(v) Impairment (continued)

The General Approach (continued)

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

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The Simplified approach

Under the simplified approach, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of default

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

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

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

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

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

Significant increase in credit risk (SIICR)

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(v) Impairment (continued)

Significant increase in credit risk (SIICR) **(continued)**

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

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

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

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and forecast scenarios based on consideration of a variety of external actual and forecast information. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

Measurement of ECL

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(v) Impairment (continued)

Measurement of ECL (continued)

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

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

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include:

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

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

When ECLs are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company uses to derive the default rates of its portfolios. This includes the PDs provided in the Standard and Poor's default study.

Receivables arising out of reinsurance contracts

The ECL of receivables arising out of reinsurance contracts are determined using loss rates. Loss rates are calculated with reference to days past due and actual credit loss experience over the past seven years.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(vi) Modification of contracts

The Company rarely renegotiates or otherwise modifies the contractual cash flows of securities. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the counterparty is in financial difficulty;
- Whether any substantial new terms are introduced that affect the risk profile of the instrument;
- Significant extension of the contract term when the borrower is not in financial difficulty;
- Significant change in interest rate;
- Change in the currency the security is denominated in; and
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a SICR has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

(vii) Write off policy

The Company writes off financial assets, in whole or in part when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) the Company is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. There were no assets written off during the years ended 31 December 2019 and 31 December 2018.

(i) Deferred income

This represents the value of a parcel of land at initial recognition (valued in 1994) owned by the Company. This land was granted to the Company by the Kenya Government. The amount is amortised over the lease period and is stated net of accumulated write-back to profit or loss.

(j) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlements at the end of the reporting period is recognised as an expense accrual.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Employee entitlements (continued)

Entitlements to gratuity are recognised when they accrue to qualifying employees. A provision is made for estimated annual gratuity as a result of services rendered by employees up to the end of the reporting period.

The Company operates a provident fund, which is a defined contribution plan for its employees. The assets of the fund are held in separate trustee administered funds, which are funded from contributions from both the Company and employees.

The Company's obligations to the provident fund are charged to profit or loss as they fall due.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short term highly liquid investments with original maturities of three months to less.

(l) Dividends

Dividends payable on ordinary shares are charged to equity in the period in which they are declared.

(m) Taxation

In accordance with Article 7 (Income Tax Exemptions) of the Headquarters agreement between The Government of the Republic of Kenya and ZEP-RE (PTA Reinsurance Company), (the "Agreement") exempts the Company, its property and assets from all forms of direct taxation.

Article 8 (Duty and Tax Exemptions) of the Agreement allows the Company to import or purchase free of duty and Value added Tax (VAT), material, equipment and motor vehicles. Article 9 (Privileges and Immunities for the Directors of the Company and their Alternates) provides that Directors of the Company and their Alternates are accorded immunities, exemptions and privileges as accorded to non-resident diplomatic missions and envoys and no taxes shall be levied on or in respect of emoluments paid by the Company to its non-resident Directors and alternate directors.

Article 10 (Officials, Experts and Consultants of the Company) exempts the officials of the Company from any form of direct taxation of salaries and emoluments and any income derived from sources outside Kenya. It also exempts from tax salaries and emoluments paid to officials designated by the Managing Director. Article 10 also provides that applicability of the exemptions to Kenyan nationals shall be determined by the Government of Kenya, which is yet to be agreed.

(n) Share Capital

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

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

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual agreement.

(o) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 GROSS PREMIUMS WRITTEN

(i) Class-wise distribution

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

	2019 US$	2018 US$
Class of business:		
Property	88,539,259	81,452,925
Casualty	51,987,520	37,164,603
Motor	9,986,296	12,948,132
Marine	10,047,407	10,006,285
Aviation	3,655,358	2,684,384
Life	17,116,798	14,611,972
Medical	25,776,993	19,666,639
	207,109,631	178,534,940

(ii) Geographical distribution

	2019		2018	
	Gross premium	%	Gross premium	%
Region				
COMESA	155,386,981	75.03	133,292,294	74.66
Non - COMESA (Africa)	25,025,582	12.08	21,349,960	11.96
Other regions	26,697,068	12.89	23,892,686	13.38
Total	207,109,631	100.00	178,534,940	100.0

(iii) Type- distribution

	2019 Gross premium	2019 %	2018 Gross premium	2018 %
Proportional	133,555,069	64.49	113,017,862	63.30
Non-proportional	22,191,187	10.71	24,962,571	13.98
Facultative	51,363,375	24.80	40,554,507	22.72
Total	207,109,631	100.00	178,534,940	100.00

4 INVESTMENT INCOME

	2019 US$	2018 US$
Interest from government securities	7,515,788	7,464,230
Interest from deposits with financial institutions	5,674,152	4,618,729
Interest from corporate bonds	123,983	466,952
Income from offshore investments	16,593	16,872
Rental income	683,381	655,533
Dividend income	722,931	399,905
Fair value gain on investment properties (Note 11)	14,127,172	807,054
	28,864,000	14,429,275
Investment income earned on financial assets, analysed by category of asset is as follows:		
Investments held at fair value through other comprehensive income	739,524	416,777
Investments held at amortised cost	13,313,923	12,549,911
	14,053,447	12,966,688
Investment income earned on non-financial assets (investment properties)	14,810,553	1,462,587
Total investment income	28,864,000	14,429,275

5 GROSS INCURRED CLAIMS

	2019 US$	2018 US$
Gross settled claims	88,465,453	78,799,565
Change in outstanding claims	6,589,576	4,388,287
	95,055,029	83,187,852

6 OPERATING AND OTHER EXPENSES

	2019 US$	2018 US$
Employee emoluments and benefits (Note 8)	10,550,055	6,653,695
Auditors' remuneration	45,000	40,000
General assembly and Board expenses	502,289	442,119
Depreciation of property and equipment (Note 9)	330,321	220,809
Amortisation of intangible assets (Note 10)	26,458	19,539
Loss on foreign exchange transactions	3,008,780	4,315,118
Provision for expected credit losses arising from reinsurance premium receivables (Note 13(iii))	2,756,383	2,310,725
Repairs and maintenance costs	368,115	334,022
Premium taxes and charges	1,427,332	1,201,683
Other expenses	1,945,412	2,434,738
	20,960,145	17,972,448

7 EARNINGS PER SHARE

	2019 US$	2018 US$
Profit attributable to shareholders (US$)	28,765,485	10,144,760
Weighted average number of shares issued (Note 24(iii))	57,161,263	57,017,704
Earnings per share (US$) - basic and diluted	0.503	0.178

Earnings per ordinary share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares issued.

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

8 EMPLOYEE EMOLUMENTS AND BENEFITS

	2019 US$	2018 US$
Staff costs include the following:		
- Salaries and wages	8,245,504	4,650,973
- Staff retirement benefits	902,017	796,033
- Other staff benefits	1,402,534	1,206,689
	10,550,055	6,653,695

The number of persons employed by the Company at the year-end was 78 (2018: 69).

9 PROPERTY AND EQUIPMENT

	2019 US$	2018 US$
Cost or valuation	3,606,474	3,109,104
Accumulated depreciation	(1,482,840)	(1,310,482)
Net book value	2,123,634	1,798,622
Comprising;		
Buildings	1,301,995	1,234,016
Motor vehicles	96,983	85,834
Office furniture and fittings	204,999	255,031
Office equipment	89,802	47,802
Computers equipment	103,468	175,939
Right of use assets	326,387	-
Net book value	2,123,634	1,798,622

9 PROPERTY AND EQUIPMENT (continued)

An independent valuation of the Company's land and buildings was carried out by Gimco Limited, property registered valuers, to determine the fair value of buildings. The valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation, done annually, was carried out as at 31 December 2019 on an open market value basis. In estimating the fair value of the buildings, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. Had the Company's buildings been measured on a historical cost basis, their carrying amount would have been US$ 657,244 (2018: US$ 682,006).

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated property and equipment with a cost of US$ 995,331 (2018: US$ 980,405) which are still in use. If depreciation had been charged during the year on the cost of these assets, it would have amounted to US$ 222,214 (2018: US$ 234,144).

	Land and buildings US$	Motor vehicles US$	Office furniture and fittings US$	Office equipment US$	Computer equipment US$	Right of use assets US$	Total US$
Cost or Valuation							
At 1 January 2018	1,238,075	219,549	746,847	96,217	366,191	-	2,666,879
Additions	-	114,445	94,501	26,515	261,945	-	497,406
Disposals	-	-	(27,487)	(2,700)	(20,935)	-	(51,122)
Revaluation surplus	(4,059)	-	-	-	-	-	(4,059)
At 31 December 2018	1,234,016	333,994	813,861	120,032	607,201	-	3,109,104
At 1 January 2019	1,234,016	333,994	813,861	120,032	607,201	-	3,109,104
Additions	-	53,014	3,011	61,535	37,048	407,984	562,592
Disposals	-	(123,900)	(1,829)	-	(7,472)	-	(133,201)
Revaluation surplus	67,979	-	-	-	-	-	67,979
At 31 December 2019	1,301,995	263,108	815,043	181,567	636,777	407,984	3,606,474
ACCUMULATED DEPRECIATION							
At 1 January 2018	-	219,549	531,489	64,079	349,330	-	1,164,447
Charge for the year	24,762	28,611	53,824	10,745	102,867	-	220,809
Eliminated on disposals	-	-	(26,483)	(2,594)	(20,935)	-	(50,012)
Written back on revaluation	(24,762)	-	-	-	-	-	(24,762)
At 31 December 2018	-	248,160	558,830	72,230	431,262	-	1,310,482
At 1 January 2019	-	248,160	558,830	72,230	431,262	-	1,310,482
Charge for the year	24,762	41,865	53,043	19,535	109,519	81,597	330,321
Eliminated on disposals	-	(123,900)	(1,829)	-	(7,472)	-	(133,201)
Written back on revaluation	(24,762)	-	-	-	-	-	(24,762)
At 31 December 2019	-	166,125	610,044	91,765	533,309	81,597	1,482,840
NET BOOK VALUE							
At 31 December 2019	1,301,995	96,983	204,999	89,802	103,468	326,387	2,123,634
At 31 December 2018	1,234,016	85,834	255,031	47,802	175,939	-	1,798,622

9 PROPERTY AND EQUIPMENT (continued)

Details of the Company's freehold land and buildings and information about fair value hierarchy as at 31 December 2018 are as follows:

	2019 US$	2018 US$
Level 1	-	-
Level 2	-	-
Level 3	1,301,995	1,234,016
Fair value as at 31 December	1,301,995	1,234,016

There were no transfers between the levels during the year.

10 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2019	2018
Cost	1,432,309	1,166,221
Accumulated amortisation	(936,572)	(910,114)
Net book value	495,737	256,107

Movement analysis:	Software licences US$	Other software US$	Work in Progress US$	Total US$
COST				
At 1 January 2018	621,931	274,766	150,314	1,047,011
Additions - 2019	-	40,251	78,959	119,210
At 31 December 2018	621,931	315,017	229,273	1,166,221
At 1 January 2019	621,931	315,017	229,273	1,166,221
Additions - 2019	14,602	24,523	226,963	266,088
At 31 December 2019	636,533	339,540	456,236	1,432,309
ACCUMULATED AMORTISATION				
At 1 January 2018	621,931	268,644	-	890,575
Charge for the year	-	19,539	-	19,539
At 31 December 2018	621,931	288,183	-	910,114
Charge for the year - 2019	4,862	21,596	-	26,458
At 31 December 2019	626,793	309,779	-	936,572
NET BOOK VALUE				
At 31 December 2019	9,740	29,761	456,236	495,737
At 31 December 2018	-	26,834	229,273	256,107

All software is amortised over a period of five years.

11 INVESTMENT PROPERTIES

	2019 US$	2018 US$
Fair value of investment properties	50,557,043	27,777,039

Investment properties comprise:

At fair value	*ZEP-RE Place US$	Prosperity House US$	Zambia Land US$	Zambia Business US$	Mombasa Road Land US$	Harare Property US$	Total US$
At 1 January 2018	10,636,682	5,428,461	190,200	4,618,731	920,900	240,000	22,034,974
Additions	126,439	-	-	4,808,572	-	-	4,935,011
Gain (loss) on revaluation	180,022	169,103	28,800	368,000	61,129	-	807,054
At 31 December 2018	10,943,143	5,597,564	219,000	9,795,303	982,029	240,000	27,777,039
At 1 January 2019	10,943,143	5,597,564	219,000	9,795,303	982,029	240,000	27,777,039
Additions	184,463	501	-	8,465,554	-	2,314	8,652,832
(loss) Gain on revaluation	(179,530)	(424,061)	(19,561)	14,739,143	3,495	7,686	14,127,172
At 31 December 2019	10,948,076	5,174,004	199,439	33,000,000	985,524	250,000	50,557,043

Investment properties were last valued by Gimco Limited for the Kenya properties, Knight Frank Zambia Limited for the Zambia property and Knight Frank Zimbabwe for the Zimbabwe property, registered valuers, at 31 December 2019, on an open market basis. The valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. The fair value gain arising from the revaluation has been dealt with in profit or loss.

*The ZEP-RE Place lease and the Upper hill parking lease were amalgamated into one lease in 2019.

All the Company's investment properties are held under leasehold interests.

Details of the Company's investment properties and information about fair value hierarchy at 31 December 2019 are as follows:

	2019 US$	2018 US$
Level 1	-	-
Level 2	-	-
Level 3	50,557,043	27,777,039
Fair value as at 31 December	50,557,043	27,777,039

There were no transfers between the levels during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 (i) EQUITY INVESTMENTS

Equity investments are measured at fair value through other comprehensive income.

	2019 US$	2018 US$
At 1 January	22,295,615	15,085,934
Additions	2,751,326	12,247,218
Disposals	(2,378,913)	(1,300,025)
Fair value gains/(losses) (Note 25 (i))	2,750,956	(3,945,856)
Exchange difference on revaluation (Note 25 (i))	(41,026)	208,344
At 31 December	25,377,958	22,295,615

(ii) INVESTMENT IN AFFILIATED COMPANIES AT NET ASSET VALUE

	Uganda Reinsurance Corporation US$	WAICA Reinsurance Corporation US$	Tanzania Reinsurance Corporation US$	African Trade Insurance Agency US$	Trade & Development Bank US$	Total US$
At 1 January 2018	1,204,040	6,711,767	2,295,917	515,554	8,120,371	18,847,649
Fair value gains (Note 25(iii))	310,167	666,238	(230,264)	36,736	568,146	1,351,023
At 31 December 2018	1,514,207	7,378,005	2,065,653	552,290	8,688,517	20,198,672
At 1 January 2019	1,514,207	7,378,005	2,065,653	552,290	8,688,517	20,198,672
Fair value gain (Note 25(iii))	123,323	(171,003)	364,261	2,901	871,532	1,191,014
At 31 December 2019	1,637,530	7,207,002	2,429,914	555,191	9,560,049	21,389,686

The investments above are reported at fair value. The investments at 31 December 2019 have been reported at the Company's share of the affiliated companies' net assets value based on the affiliates' last audited financial statements.

13 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	2019 US$	2018 US$
Receivables from reinsurance arrangements	47,502,766	45,093,539
Provision for expected credit losses (Note 13 (ii) below)	(10,856,939)	(8,113,174)
Net carrying value	36,645,827	36,980,365

Receivables from reinsurance arrangements are stated net of provision for expected credit losses.

(i) Ageing of receivables arising out of reinsurance arrangements

	2019 US$	2018 US$
0 - 90 days	7,367,104	10,786,806
91-120 days	3,401,806	1,853,476
121-270 days	14,595,061	10,487,317
271 - 360 days	367,999	2,753,689
Over 360 days	10,913,857	11,099,077
At 31 December	36,645,827	36,980,365
Average age (days) - gross written premium basis	65	76

(ii) Movement in the provision for expected credit losses

	2019 US$	2018 US$
At 1 January	8,113,174	7,644,737
Charge for the year inward debtors	2,756,383	2,310,725
Exchange difference on revaluation	-	(1,842,288)
Written off during the year as uncollectible	(12,618)	-
At 31 December	10,856,939	8,113,174

The impact of adoption of IFRS 9 on the provision for expected credit losses on receivables arising out of reinsurance arrangements was assessed to be immaterial.

(iii) Provision for expected credit losses (Note 6)

	2019 US$	2018 US$
Arising from reinsurance arrangements (inward and outward)	2,756,383	2,310,725

14 DEPOSITS RETAINED BY CEDING COMPANIES

This amount represents insurance premiums retained by ceding companies. The movement in the account is shown below:

	2019 US$	2018 US$
At 1 January	5,590,671	6,016,722
(Decrease)/increase during the year	292,572	(426,051)
At 31 December	5,883,243	5,590,671

15 RETROCESSIONAIRES' SHARE OF REINSURANCE LIABILITIES

	2019 US$	2018 US$
Retrocessionaires share of:		
Provision for unearned premiums and unexpired risks (Note 28)	11,720,947	10,567,002
Notified outstanding claims (Note 27)	10,594,674	12,076,775
Incurred but not reported (Note 27)	10,044,651	8,505,701
	32,360,272	31,149,478

16 OTHER RECEIVABLES

	2019 US$	2018 US$
Receivable from Retakaful window	464,555	548,365
Staff receivables	2,136,308	1,198,922
Prepayments	1,435,060	501,971
Deposits	38,095	34,892
Rent receivable	540,090	428,427
Other receivables	1,344,685	6,808,454
Provision for expected credit losses	(677)	(10,226)
	5,958,116	9,510,805

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 DEFERRED ACQUISITION COSTS (DAC)

This amount represents insurance commissions, brokerage and other related expenses incurred that relate to un-expired polices at year end. The movement in the account is as shown below:

	2019 US$	2018 US$
At 1 January	10,127,063	9,219,258
Increase during the year	1,265,004	907,805
At 31 December	11,392,067	10,127,063

18 GOVERNMENT SECURITIES

	2019 US$	2018 US$
Comprised of:		
Treasury bonds and bills	10,733,847	10,609,000
Loans and receivables due from Governments	97,800,201	86,679,631
	108,534,048	97,288,631
Provision for expected credit losses	(732,955)	(128,869)
	107,801,093	97,159,762
Maturity Profile:		
(i) Treasury bonds & bills maturing:		
- Within 6 months	10,715,265	9,453,424
- In 6 months to 1 year	-	-
- In 1 to 5 years	-	168,888
- After 5 years	18,582	986,688
	10,733,847	10,609,000
(ii) Loans & receivables due from the Government maturing:		
- Within 6 months	10,003,225	-
- In 6 months to 1 year	4,543,960	-
- In 1 to 5 years	34,916,644	71,364,777
- After 5 years	48,336,372	15,314,854
At 31 December	97,800,201	86,679,631
Analysis by currency denomination:		
Securities in US Dollars	107,506,453	96,133,056
Securities in Kenya Shillings	1,027,595	1,155,575
	108,534,048	97,288,631
(iii) Movement in provision for expected credit losses		
At 1 January	(128,869)	-
Changes on initial application of IFRS 9	-	(109,429)
Charge for the year	(604,086)	(19,440)
At 31 December	(732,955)	(128,869)

19 OFFSHORE INVESTMENTS

	2019 US$	2018 US$
Discretionary fund	-	5,364,608
Wealth fund	3,710,335	3,286,444
Ashburton Investments fund	-	1,292,972
Credit Suisse Discretionary Fund	6,120,024	-
Credit Suisse Floating Rate Bond Fund	15,124,064	-
	24,954,423	9,944,024
Movement during the year		
At 1 January	9,944,024	17,314,205
Additions	15,124,064	-
Disposals	(1,294,536)	(6,839,982)
Fair value (loss)/gain (Note 25(i))	1,180,871	(530,199)
At 31 December	24,954,423	9,944,024

20 DEPOSITS WITH FINANCIAL INSTITUTIONS

	2019 US$	2018 US$
Analysis by currency denomination:		
Deposits in United States Dollars	86,587,353	90,576,386
Deposits in Kenya Shillings	8,510,766	7,703,587
Deposits in Sudanese Pound	1,263,914	1,792,451
Deposits in Ethiopian Birr	8,664,110	6,995,168
Deposits in Zambian Kwacha	781,123	-
Deposits in Malawian Kwacha	-	144,406
	105,807,266	107,211,998
Provision for expected credit losses	(332,020)	(452,854)
	105,475,246	106,759,144
Maturity analysis:		
Within 3 months of placement	21,883,543	4,393,222
After 3 months of placement	83,923,723	102,818,776
	105,807,266	107,211,998
Movement in provision for expected credit losses		
At 1 January	(452,854	-
Changes on initial application of IFRS 9	-	(522,080)
Credit/ (charge) for the year	120,834	69,226
At 31 December	(332,020)	(452,854)

Deposits with financial institutions have an average maturity of 3 to 12 months (2017: 3 to 12 months).

21 CORPORATE BONDS AND LOANS

	2019 US$	2018 US$
Analysis by currency denomination:		
Kenyan Shillings	180,761	837,669
Rwandese Francs	842,343	260,971
	1,023,104	1,098,640
Provision for expected credit losses	(11,694)	(9,644)
	1,011,410	1,088,996
Maturity analysis:		
Corporate bonds and loans maturing:		
- Within 1 year	297,440	-
- Between 1 to 5 years	713,970	1,088,996
At 31 December	1,011,410	1,088,996
Movement in provision for expected credit losses		
At 1 January	(9,644)	-
Changes on initial application of IFRS 9	-	(22,840)
Charge for the year	(2,050)	13,196
At 31 December	(11,694)	(9,644)

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 CASH AND BANK BALANCES

	2019 US$	2018 US$
Analysis by currency denomination:		
United States Dollars	721,239	707,977
Central African XAF Franc	38,499	543,701
Ethiopian Birr	581,286	517,307
Sudanese Pound	47,153	472,831
Burundian Francs	475,959	433,904
Kenya Shillings	110,521	267,067
West African CFA Franc	1,043,004	243,375
Zambian Kwacha	23,144	89,169
Malawi Kwacha	5,650	33,398
Zimbabwean Dollar	366,535	-
Others	213,603	67,346
	3,626,593	3,376,075
Provision for expected credit losses	(26,369)	(37,161)
	3,600,224	3,338,914
Movement in provision for expected credit losses		
At 1 January	(37,161)	-
Changes on initial application of IFRS 9	-	(25,414)
Charge for the year	10,792	(11,747)
At 31 December	(26,369)	(37,161)

23 WEIGHTED AVERAGE EFFECTIVE INTEREST/RETURN RATES

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

	2019 %	2018 %
Government securities		
Securities in Kenya Shillings	12.6	12.9
Securities in United States Dollars	8.2	7.5
Deposits with financial institutions		
Deposits in United States Dollars	4.2	4.2
Deposits in Kenya Shillings	7.9	8.8
Deposits in Sudanese Pound	2.4	-
Deposits in Ethiopian Birr	8.5	10.3
Deposits in Malawian Kwacha	3.1	4.0
Deposits in Zambian Kwacha	15.4	-

24 ISSUED CAPITAL

(i) Issued capital

	2019 US$	2018 US$
Ordinary shares of US$ 1 each:		
Share capital	57,255,956	57,068,271
Share premium	51,341,712	50,395,786
Paid up capital	108,597,668	107,464,057

(ii) Paid up shares

	No of shares	share capital US$	share premium US$
Year ended 31 December 2018			
Ordinary shares of US$ 1 each:			
At 1 January 2018	56,946,503	56,946,503	49,788,160
Issue of shares	24,441	24,441	121,959
Dividends capitalised	97,327	97,327	485,667
At 31 December 2018	57,068,271	57,068,271	50,395,786
Year ended 31 December 2019			
At 1 January 2019	57,068,271	57,068,271	50,395,786
Issue of shares	24,238	24,238	122,162
Dividends capitalised	163,447	163,447	823,764
At 31 December 2019	57,255,956	57,255,956	51,341,712

	2019	2018
(iii) Weighted average number of shares (Note 7)	57,161,263	57,017,704

25 RESERVES

	2019 US$	2018 US$
Investments revaluation reserve (Note 25 (i))	(231,713)	(4,122,514)
Property revaluation reserve (Note 25 (ii))	644,751	552,010
Investment in affiliated companies revaluation reserve (Note 25 (iii))	7,743,605	6,552,591
	8,156,643	2,982,087

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 RESERVES (continued)

(i) Investments revaluation reserve

	2019 US$	2018 US$
At 1 January	(4,122,514)	145,197
(Loss)/gain on revaluation of equity investments	2,750,956	(3,945,856)
Foreign exchange (loss)/gain on revaluation of equity investments (Note 12)	(41,026)	208,344
(Loss)/gain on revaluation of offshore investments (Note 19)	1,180,871	(530,199)
At 31 December	(231,713)	(4,122,514)

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets that have been recognised in the other comprehensive income. This reserve is not available for distribution.

The Company reviews the status of the investment portfolio at every financial reporting for expected credit losses. In determining whether an impairment loss should be recognized in profit or loss, the Company checks whether there is evidence that the assets are impaired and that the fair values have declined irreversibly. At 31 December 2019 and 31 December 2018, none of the shares have been determined by the Directors' to bear a permanent impairment hence no losses have been recognised in profit or loss.

(ii) Property revaluation reserve - Buildings

	2019 US$	2018 US$
At 1 January	552,010	531,307
Revaluation surplus (Note 9)	67,979	(4,059)
Depreciation written back on revaluation (Note 9)	24,762	24,762
Net gain on revaluation of property	92,741	20,703
At 31 December	644,751	552,010

The property revaluation reserve arises on the revaluation of buildings that are classified as part of property and equipment- owner occupied. When the revalued buildings are sold, the portion of the properties' revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings.

This reserve is not available for distribution.

25 RESERVES (continued)

(iii) Investment in affiliated Companies revaluation reserve

This relates to valuation gains or losses in investments in affiliated Companies. In 2019, a net fair value gain of US$ 1,191,014 (2018:US$ 1,351,023) was realized in the year.

	2019 US$	2018 US$
At 1 January	6,552,591	5,201,568
Fair value gain	1,191,014	1,351,023
	7,743,605	6,552,591

26 RETAINED EARNINGS

	2019 US$	2018 US$
Retained earnings	145,565,224	119,299,739
The movement in retained earnings is as follows:		
At 1 January	119,299,739	114,838,344
Dividend declared (Note 33)	(2,500,000)	(5,000,000)
Changes on initial application of IFRS 9	-	(683,365)
Profit for year	28,765,485	10,144,760
At 31 December	145,565,224	119,299,739

During the year ended 31 December 2019, the dividend arising out of 2018 profits amounting to US$ 2,500,000 was declared at the Annual General Meeting and paid out as detailed under Note 33.

Retained earnings include fair value gains on revaluation of investment properties which are unrealised and are not available for distribution. At 31 December 2019 the unrealised fair value gains on revaluation of investment properties amounted to US$ 21,984,267 (2018: US$ 7,857,095).

27 REINSURANCE CONTRACT LIABILITIES

	2019 US$	2018 US$
Reinsurance contracts comprise:		
- claims reported and claims handling expenses	58,776,054	60,229,405
- claims incurred but not reported (IBNR)	36,565,362	30,167,318
Total reinsurance liabilities	95,341,416	90,396,723

27 REINSURANCE CONTRACT LIABILITIES (continued)

Gross claims reported and the retrocessionaires share of claims handling expenses, liabilities and the liability for claims incurred but not reported are as shown below.

	2019 Gross US$	2019 Retrocessions US$	2019 Net US$	2018 Gross US$	2018 Retrocessions US$	2018 Net US$
Outstanding claims	58,776,054	(10,594,674)	48,181,380	60,229,405	(12,076,775)	48,152,630
IBNR	36,565,362	(10,044,651)	26,520,711	30,167,318	(8,505,701)	21,661,617
Total outstanding claims	95,341,416	(20,639,325)	74,702,091	90,396,723	(20,582,476)	69,814,247

The Company's outstanding claims and IBNR were reviewed by an independent actuary; Actuarial Services (EA) Limited, registered Actuaries at 31 December 2019.

For the current year, the Company's actuaries used a combination of the Chain Ladder and the Bornhuetter Ferguson ("B-F") methods to determine estimated claims. The Chain-Ladder method uses historical claim patterns to determine expected future ultimate claims from each year. The B-F Method uses both estimated loss ratios and claim development patterns to project the ultimate claims. The Chain Ladder was first used to determine initial claims losses with the B-F Method then applied to determine the ultimate claim losses from which the IBNR reserves were estimated.

28 PROVISION FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS (UPR)

The reserve represents the liability for reinsurance business contracts where the Company's obligations are not expired at the year end. The movement in the reserve is as shown below:

	2019 Gross US$	2019 Retrocessions US$	2019 Net US$	2018 Gross US$	2018 Retrocessions US$	2018 Net US$
At 1 January	37,999,423	(10,567,002)	27,432,421	33,965,538	(10,786,220)	23,179,318
Movement in the year:						
- Unearned premiums	5,343,716	(1,153,945)	4,189,771	5,434,153	219,218	5,653,371
- Foreign exchange gain	(712,926)	-	(712,926)	(1,400,268)	-	(1,400,268)
	4,630,790	(1,153,945)	3,476,845	4,033,885	219,218	4,253,103
At 31 December	42,630,213	(11,720,947)	30,909,266	37,999,423	(10,567,002)	27,432,421
		(Note 15)			(Note 15)	

29 DEFERRED INCOME

Deferred income represents the value of the Mombasa Road leasehold land at initial recognition. This land was granted to the Company by the Kenya Government and is included in investment properties as disclosed in note 11. The amount is amortised to income over the lease term. The movement on the deferred income account during the year is as follows:

	2019 US$	2018 US$
Arising from Government grant		
- At 1 January and at 31 December	80,686	80,686
Accumulated amortisation:		
At 1 January	20,376	19,561
Credited to other income for the year	815	815
At 31 December	21,191	20,376
At 31 December	59,495	60,310

30 (i) PAYABLES ARISING FROM RETROCESSION ARRANGEMENTS

This amount represents the liability for short term retrocession contracts. The movement in the account is shown below:

	2019 US$	2018 US$
At 1 January	10,334,191	7,337,822
Increase during the year	1,259,879	2,996,369
At 31 December	11,594,070	10,334,191

(ii) PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

This amount represents credit balances in reinsurance receivables. The movement in the account is shown below:

	2019 US$	2018 US$
At 1 January	5,294,529	4,379,567
Increase/(decrease) during the year	1,460,433	914,962
At 31 December	6,754,962	5,294,529

31 DEFERRED RETROCESSION COMMISSION REVENUE

This amount represents retrocession insurance commissions, brokerage and other related revenue received that relate to un-expired polices at year end. The movement in the account is shown below:

	2019 US$	2018 US$
At 1 January	2,331,202	2,695,511
Increase/(decrease) during the year	425,247	(364,309)
At 31 December	2,756,449	2,331,202

32 OTHER PAYABLES

	2019 US$	2018 US$
Rent deposits	285,332	253,359
Other liabilities	9,586,204	3,946,474
Leave pay provision	153,683	147,565
Provision for gratuity	985,651	1,412,786
Lease liabilities	351,128	-
	11,361,998	5,760,184
The lease liabilities are split as follows:		
Current	57,310	-
Non-current	293,818	-
	351,128	-
The movement in lease liabilities is as follows:		
At 1 January	407,984	-
Interest on lease liabilities	39,636	-
Lease payments made in the year	(96,492)	-
	351,128	-
The total cash outflow for lease in the year was:		
Interest on lease liabilities	39,636	-
Payments of the principal portion of lease liabilities	56,856	-
	96,492	-

33 DIVIDENDS PAYABLE

	2019 US$	2018 US$
The movement in dividends payable is as follows:		
At 1 January	1,357,176	996,174
Final dividend declared	2,500,000	5,000,000
Dividend paid	(1,301,092)	(4,056,004)
Dividend capitalised	(987,211)	(582,994)
At 31 December	1,568,873	1,357,176

In respect of the current year, the Directors' propose a dividend of US$ 5,000,000 (2018: US$ 2,500,000). The proposed dividend is to be issued as bonus shares of 1 share for every 79 shares held as at 31 December 2019. This dividend is subject to approval of shareholders at the Annual General Meeting to be held on 5th August 2020 and has therefore not been recognised as a liability in these financial statements.

34 CAPITAL COMMITMENTS

Capital expenditure authorised but not contracted for at the end of the reporting period and which is not recognised in the financial statements is as follows:

	2019 US$	2018 US$
Property and equipment	150,000	-
Investment properties	120,000	6,348,515
Intangible software	275,000	420,000
	545,000	6,768,515

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 RELATED PARTIES

The Company is owned by Governments, private and public institutions of COMESA member states. Some of these are Insurance and Reinsurance companies.

A portion of the Company's underwriting business is transacted with ceding companies that are shareholders of the Company. All related parties transactions are carried out on an arms-length basis. The transactions carried out with related parties during the year and the balances due from or due to related parties at year end are disclosed below:

		2019 US$	2018 US$
(i)	Transactions with related parties		
	Gross earned premium:		
	- Shareholders	19,401,067	17,884,767
	Claims Paid		
	- Shareholders	6,275,109	7,259,122
(ii)	Directors' remuneration		
	Directors' fees	136,000	125,620
	Other emoluments paid (per diem)	109,168	96,677
		245,168	222,297
(iii)	Key management remuneration		
	Salaries and other short-term employment benefits	1,166,761	1,339,535
	Gratuity	252,729	182,679
		1,419,490	1,522,214
(iv)	Outstanding balances with related parties		
	Premiums receivable from related parties	2,781,357	6,070,485
	Staff car and other loans	2,136,308	1,198,922
		4,917,665	7,269,407

36 CASH GENERATED FROM OPERATIONS

		2019 US$	2018 US$
Profit for the year		28,765,485	10,144,760
Adjustments for:			
Gain on disposal of property and equipment		(21,883)	(605)
Fair value gain on investment properties	4	(14,127,172)	(807,054)
Provision for expected credit losses		-	(683,365)
Provision for expected credit losses - deposits with financial institutions	20	120,834	-
Depreciation of property and equipment		248,724	220,809
Depreciation of right of use asset	9	81,597	-
Amortisation of intangible assets	10	26,458	19,539
Interest on lease liabilities	32	39,636	-
Amortisation of deferred income	29	(815)	(815)
Changes in:			
- Provision for unearned premiums and unexpired risks		4,630,790	4,033,885
- Reinsurance contract liabilities		4,944,693	2,267,696
- Deposits retained by ceding companies		(292,572)	426,051
- Deposits retained on ceded reinsurance business		(56,688)	123,357
- Deferred acquisition costs (DAC)		(1,265,004)	(907,805)
- Receivables arising out of reinsurance arrangements		334,538	6,888,423
- Retrocessionaires share of technical liabilities		(1,210,794)	(185,680)
- Payables arising out of retrocession arrangements		1,259,879	2,996,369
- Deferred retrocession commission revenue (DRR)		425,247	(364,309)
- Payables arising from reinsurance arrangements		1,460,433	914,962
- Other receivables		3,552,689	(2,541,467)
- Other payables		5,250,686	(2,069,294)
Net cash generated from operations		33,925,093	20,475,457

37 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2019 US$	2018 US$
Cash and bank balances	3,600,224	3,338,914
Deposits with financial institutions maturing within 3 months (note 20)	21,883,543	4,393,222
	25,483,767	7,732,136

NOTES TO THE FINANCIAL STATEMENTS (continued)

38 OPERATING LEASE COMMITMENTS

Net rental income earned during the year was US$ 683,381 (2018: US$ 655,533). At the end of the reporting period, the Company had contracted with tenants for the following future lease receivables

	2019 US$	2018 US$
Not later one year	603,525	326,533
Later than 1 year but not later than 5 years	2,451,364	562,425
More than 5 years	132,976	65,356
	3,187,865	954,314

Leases are for a period of six years.

39 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Key sources of estimation uncertainty

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

The ultimate liability arising from claims payable under reinsurance contracts

The main assumption applied in the estimation of the ultimate claims liability is the expectation that the Company's past claims experience can be used to project future claims development and hence ultimate claims costs. Actuarial methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by event years. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) 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. A margin for adverse deviation may also be included in the liability valuation.

Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirement for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing the appropriate models and assumptions for the measurement of ECL;

39 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities; and
- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets.

Useful lives of property and equipment

The Company reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

Fair valuation of investment properties and property

The fair value model has been applied in accounting for investment property and property. The Company commissioned external, independent and professionally qualified real estate valuers that hold recognised relevant professional qualification and have recent experience in the locations and types of investment properties valued to determine the fair value of the investment property as at 31 December 2019 and 31 December 2018 on the basis of open market value. The current use of the investment properties equates to the highest and best use.

Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are calibrated and periodically reviewed by qualified management personnel independent of the area that created them to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require the directors to make estimates.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Other areas of judgement

Management exercises critical judgment in determining the classification of debt and equity instruments and considers the substance of the contractual terms of the various instruments.

Management has also made critical judgements in determining its functional currency.

NOTES TO THE FINANCIAL STATEMENTS (continued)

40 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(i) Reinsurance risk

ZEP-RE writes the following classes of business: Property, Casualty, Motor, Marine, Aviation, Medical and Life.

The Company 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 Company 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.

Frequency and severity of claims

The principal risk in the business is the possibility that the insured event will occur with the likelihood that the actual claims will exceed the amount of reinsurance premiums and reserves available.

The possibility of such occurrences cannot be eliminated. The only option is to minimise the financial consequences of each occurrence as far as possible. The Company has endeavoured to achieve this by putting in place reinsurance programmes that provide protection for individual risks and catastrophic events. The Company has subsequently entered into retrocession arrangements with reputable retrocessionaires. The objective is to make sure that the Company is adequately protected against all the liabilities assumed from its business transactions.

The retrocession arrangements however do not discharge the Company of its obligations to the ceding companies and consequently the Company has put in place a business review structure that ensures control of risk quality and conservative use of treaty limits, terms and conditions.

Finally, as part of its annual renewals, the financial condition of each retrocessionaire is reviewed and as a result, the programme is placed with a select group of financially secure and experienced companies in the world market.

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 recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

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

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjustors and information on the cost of settling claims with similar characteristics in previous periods. The main assumption underlying this technique is that the Company'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.

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Reinsurance risk (continued)

Concentration risk At 31 December 2019 Class of business		Maximum insured loss US$ 0m - US$ 0.25m	US$ 0.25m - US$ 1m	Over US$ 1m	Total
Property	Gross	90,988,032	341,590,072	14,615,332,244	15,047,910,348
	Net	82,694,637	304,561,136	3,700,796,800	4,088,052,573
Casualty	Gross	75,415,127	225,446,889	1,690,917,987	1,991,780,003
	Net	74,687,357	208,597,986	486,219,863	769,505,206
Motor	Gross	27,510,751	43,594,609	48,760,605	119,865,965
	Net	26,134,685	41,507,575	25,853,463	93,495,723
Marine	Gross	44,787,279	82,174,505	397,120,037	524,081,821
	Net	41,927,601	80,181,050	125,490,746	247,599,397
Aviation	Gross	5,480,078	6,007,848	1,455,437,513	1,466,925,439
	Net	5,390,078	6,007,848	4,135,000	15,532,926
Life assurance business	Gross	11,920,408	7,334,043	45,406,311	64,660,762
	Net	11,864,179	7,334,043	32,091,999	51,290,221
Medical	Gross	1,655,887	2,462,041	-	4,117,928
	Net	1,655,887	2,462,041	-	4,117,928
Total	**Gross**	**257,757,562**	**708,610,007**	**18,252,974,697**	**19,219,342,266**
	Net	**244,354,424**	**650,651,679**	**4,374,587,871**	**5,269,593,974**

At 31 December 2018 Class of business		Maximum insured loss US$ 0m - US$ 0.25m	US$ 0.25m - US$ 1m	Over US$ 1m	Total
Property	Gross	89,569,173	330,006,530	14,617,309,335	15,036,885,038
	Net	80,086,518	302,320,810	3,783,798,568	4,166,205,896
Casualty	Gross	75,009,728	227,016,534	2,560,479,934	2,862,506,196
	Net	72,563,071	212,435,826	476,420,946	761,419,843
Motor	Gross	30,707,185	41,553,654	102,859,275	175,120,114
	Net	28,904,270	38,125,081	79,874,411	146,903,762
Marine	Gross	47,912,377	94,675,078	283,513,679	426,101,134
	Net	43,720,638	92,052,021	217,643,244	353,415,903
Aviation	Gross	5,108,560	3,945,131	545,326,068	554,379,759
	Net	5,108,560	3,045,131	5,735,000	13,888,691
Life assurance business	Gross	15,265,474	6,144,256	74,903,036	96,312,766
	Net	14,982,285	5,358,386	19,129,618	39,470,289
Medical	Gross	2,404,982	-	-	2,404,982
	Net	2,257,758	-	-	2,257,758
Total	**Gross**	**265,977,479**	**703,341,183**	**18,184,391,327**	**19,153,709,989**
	Net	**247,623,100**	**653,337,255**	**4,582,601,787**	**5,483,562,142**

The Company's retention (net liabilities) shown for the above classes is protected by retrocession treaties as follows:

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Class	2019 Limit US$	2018 Limit US$
Fire/Engineering risk & Catastrophe Excess of loss	171,500,000 in excess of 3,500,000	161,500,000 in excess of 3,500,000
Accident and Motor	18,500,000 in excess of 1,500,000	5,000,000 in excess of 1,500,000
Marine & Energy Excess of loss	8,500,000 in excess of 1,500,000	18,500,000 in excess of 1,500,000

The concentration by sector or maximum underwriting limits at the end of the year is broadly consistent with the prior year.

(ii) Financial risk management

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and reinsurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets might not be sufficient to fund the obligations arising from its reinsurance business. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate, Currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk, currency risk and equity price risk.

The Company manages these risks within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations in reinsurance business.

The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework.

(a) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The key areas that the Company is exposed to credit risk are:

- Receivables arising out of reinsurance arrangements both inward and outward;
- Retrocessionaires' share of outstanding claims;
- Deposits and cash balances held with banks and other financial institutions; and
- Investments in government securities.

The Company manages its exposure in the following ways:

- places its retrocession programme with rated securities - investment grade and above;
- dealing with only credit-worthy counterparties;
- placing limits on the Company's exposure to a single counterparty or group of counterparties while placing investments.

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Financial risk management (continued)

(a) Credit risk (continued)

In respect of its exposure from receivables arising out of reinsurance arrangements the Company manages this through regular analysis of the ability of the existing and potential clients to meet premium obligations and by reviewing signed treaty shares where appropriate, having close relations with cedants and intermediaries to enhance timely settlement of premiums, offsetting of outstanding premiums against claims and avoiding renewal of treaties with cedants who have poor underwriting and credit history.

Provision for impairment losses are recognised for debts at the end of reporting period.

Maximum exposure to credit risk before collateral held:
At 31 December 2019

	US$
Deposits retained by ceding companies	5,883,243
Retrocessionaires share of technical liabilities	32,360,272
Other receivables (excluding prepayments) (Note 16)	4,523,733
Receivables arising out of reinsurance arrangements (Note 13)	47,502,766
Government securities (Note 18)	108,534,048
Offshore investments (Note 19)	24,954,423
Deposits with financial institutions (Note 20)	105,807,266
Corporate bonds and loans (Note 21)	1,023,104
Bank balances (Note 22)	3,626,593
Gross financial assets	**334,215,448**

31 December 2018	US$
Deposits retained by ceding companies	5,590,671
Retrocessionaires share of technical liabilities	31,149,478
Other receivables (excluding prepayments) (note 16)	9,019,060
Receivables arising out of reinsurance arrangements (Note 13)	45,093,539
Government securities (Note 18)	97,288,631
Offshore investments (Note 19)	9,944,024
Deposits with financial institutions (Note 20)	107,211,998
Corporate bonds and loans (Note 21)	1,098,640
Bank balances (Note 22)	3,376,075
Gross financial assets	**309,772,116**

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Financial risk management (continued)

(a) Credit risk (continued)

The following table sets out the expected credit loss analysis for financial assets measured at amortised cost:

	31 December 2019 12-month ECL Shs '000	1 January 2018 12-month ECL Shs '000
Deposits with financial institutions	105,807,266	107,211,998
Loss allowance	(332,020)	(452,854)
Amortised cost	**105,475,246**	**106,759,144**
Government bonds at amortised cost	108,534,048	97,288,631
Loss allowance	(732,955)	(128,869)
Amortised cost	**107,801,093**	**97,159,762**
Corporate bonds and commercial papers at amortised cost	1,023,104	1,098,640
Loss allowance	(11,694)	(9,644)
Amortised cost	**1,011,410**	**1,088,996**
Cash and cash equivalents	3,626,593	3,376,075
Loss allowance	(26,369)	(37,161)
Amortised cost	**3,600,224**	**3,338,914**
Receivables arising out of reinsurance arrangements	47,502,766	45,093,539
Loss allowance	(10,856,939)	(8,113,174)
Amortised cost	**36,645,827**	**36,980,365**
Other receivables	4,523,733	9,019,060
Loss allowance	(677)	(10,226)
Amortised cost	**4,523,056**	**9,008,834**
Total financial assets	**271,017,510**	**263,087,943**
Total loss allowance	**(11,960,654)**	**(8,751,928)**
Total financial assets at amortised cost	**259,056,856**	**254,336,015**

(b) Market risks

Interest rate risk

Exposure to interest sensitive assets is managed by use of a yield curve in order to ensure that the Company does not hold low yielding investments in a high interest environment. The Company has an investment committee which sets investment guidelines that seek to reduce exposure to interest rate risks.

The Company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 100 basis points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the Company's overall exposure to interest rate sensitivities included in the Company's ALM framework and its impact on the Company's profit or loss by business.

At 31 December 2019 if interest rates on government securities had been 10% higher/lower with all other variables held constant, profit for the year would have been USD 751,579 (2018: USD 746,423) lower/higher.

At 31 December 2019 if interest rates on deposits with financial institutions had been 10% higher/lower with all other variables held constant, profit for the year would have been USD 567,415 (2018: USD 461,873) lower/higher.

At 31 December 2019 if interest rates on corporate bonds and loans had been 10% higher/lower with all other variables held constant, profit for the year would have been USD 12,398 (2018: USD 46,695) lower/higher.

Note 23 discloses the weighted average interest rate on principal interest-bearing investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Financial risk management (continued)

(b) Market risks (continued)

Equity price risk

Equity price risk is the potential loss in fair value resulting from adverse changes in share prices.

The Company has a portfolio of equity investments quoted in Nairobi Stock Exchange (NSE), Uganda Securities Exchange (USE) and Rwanda Stock Exchange (RSE). As such it is exposed to share price fluctuations. The Company manages its exposure to this risk as follows:

- Setting a limit on the maximum proportion of the investment portfolio that can be invested in equity;
- Diversification in the equity portfolio; and,
- Regular review of the portfolio and the market performance.

At 31 December 2019, if the share prices at the NSE had increased/decreased by 8% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation to the index, total comprehensive income for the year would have been US$ 2,030,237 (2018: US$ 1,783,649) higher/lower, and equity would have been US$ 2,030,237 (2018: US$ 1,783,649) higher/lower.

Currency risk

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

The Company mitigates its currency risk by ensuring that the net exposure to this risk is maintained within acceptable levels by regular review of the level of mismatch for key currencies.

At 31 December 2019, if the US dollar had weakened/strengthened by 10% against the Kenya shilling with all other variables held constant, the net assets for the year would have been US$ 182,259 higher/lower (2018: US$ 540,915 lower/higher) mainly as a result of Kenya shilling denominated investments, receivables, payables and bank balances. This is not significant as the portion of Kenya shilling denominated net assets constitute 2.4% (2018: 2.4%) of the Company's net assets.

At 31 December 2019, if the US dollar had weakened/strengthened by 10% against the Nepalese Rupee with all other variables held constant, the net assets for the year would have been US$ 501,241 (2018: US$ 711,858) higher/lower mainly as a result of Nepalese Rupee denominated deposits, receivables and payables. At 31 December 2019, the Nepalese Rupee denominated net assets constitute 3.8% (2018: 3.8%) of the net assets.

At 31 December 2019, if the US dollar had weakened/strengthened by 10% against the Sudanese Pound (SDG) with all other variables held constant, the net assets would have been US$ 80,013 (2018: US$ 136,230) higher/lower, mainly as a result of Sudanese Pound denominated investments, receivables and payables.

The Company had significant foreign currency positions at 31 December as per the table overleaf (all amounts expressed in US Dollars).

NOTES TO THE FINANCIAL STATEMENTS (continued)

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Financial risk management (continued)

(b) Market risks (continued)

Currency risk (continued)

At 31 December 2019	US$	NPR	KES	SDG	UGX	TZS	RWF	ETB	ZMW	Others	Total
Assets											
Investment properties	50,557,043	-	-	-	-	-	-	-	-	-	50,557,043
Equity investments	8,135,671	-	17,242,287	-	-	-	-	-	-	-	25,377,958
Investment in Affiliated companies	17,322,242	-	-	-	1,637,530	2,429,914	-	-	-	-	21,389,686
Receivables arising out of reinsurance arrangements	6,102,881	1,475,259	8,087,141	2,001,588	1,356,339	2,471,950	924,759	2,742,177	2,003,620	9,480,113	36,645,827
Retrocessionaires' share of technical liabilities	32,360,272	-	-	-	-	-	-	-	-	-	32,360,272
Deposits retained by ceding companies	369,394	(1,425)	(22,050)	-	-	(1,811)	183,055	-	-	5,356,080	5,883,243
Deferred acquisition costs	1,593,804	70,006	4,371,185	1,067,627	750,859	534,128	210,025	534,040	1,190,549	1,069,844	11,392,067
Government securities	106,754,916	-	1,027,595	-	-	-	-	-	-	18,582	107,801,093
Offshore investments	24,954,423	-	-	-	-	-	-	-	-	-	24,954,423
Deposits with financial institutions	86,255,333	-	8,510,766	1,263,914	-	-	-	8,664,110	781,123	-	105,475,246
Corporate Bonds and Loans	180,761	-	830,649	-	-	-	-	-	-	-	1,011,410
Cash and bank balances	693,326	-	110,521	47,153	59,729	1,861	54,097	581,286	23,144	2,029,107	3,600,224
Total	335,996,076	1,543,840	40,158,094	4,380,282	3,804,457	5,436,042	1,371,936	12,521,613	3,998,436	17,953,726	426,448,492
Liabilities											
Reinsurance contract liabilities	19,769,560	5,390,996	25,474,021	1,129,218	3,664,022	6,221,902	1,462,113	5,345,092	2,868,254	24,016,238	95,341,416
Payables arising from retrocession arrangements	6,102,781	700,201	1,147,688	8,814	278,754	331,136	47,753	54,206	592,522	2,330,215	11,594,070
Payables arising from reinsurance arrangements	3,555,615	407,953	668,669	5,135	162,408	192,927	27,822	31,582	345,216	1,357,635	6,754,962
Deposits retained on ceded reinsurance business	638,968	-	-	-	-	-	-	-	-	-	638,968
Unearned premium reserves	8,050,732	220,181	15,430,276	2,603,283	2,400,796	1,695,932	713,016	1,326,355	5,410,990	4,778,652	42,630,213
Deferred Retrocession Revenue	2,756,449	-	-	-	-	-	-	-	-	-	2,756,449
Total	40,874,105	6,719,331	42,720,654	3,746,450	6,505,980	8,441,897	2,250,704	6,757,235	9,216,982	32,482,740	159,716,078
Net financial position exposure	294,405,961	(5,175,491)	(2,562,560)	633,832	(2,701,523)	(3,005,855)	(878,768)	5,764,378	(5,218,546)	(14,529,014)	266,732,414

NOTES TO THE FINANCIAL STATEMENTS (continued)

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Financial risk management (continued)

(b) Market risks (continued)

Currency risk (continued)

At 31 December 2018	US$	NPR	KES	SDG	UGX	TZS	RWF	ETB	ZMW	Others	Total
Assets											
Investment properties	27,777,039	-	-	-	-	-	-	-	-	-	27,777,039
Equity investments	8,833,990	-	13,461,625	-	-	-	-	-	-	-	22,295,615
Investment in Affiliated companies	16,618,812	-	-	-	1,514,207	2,065,653	-	-	-	-	20,198,672
Receivables arising out of reinsurance arrangements	7,123,706	881,700	8,376,698	815,876	1,609,325	1,217,922	1,522,856	3,412,387	3,325,231	8,694,664	36,980,365
Retrocessionaires' share of technical liabilities	31,149,478	-	-	-	-	-	-	-	-	-	31,149,478
Deposits retained by ceding companies	512,531	(1,460)	(21,935)	-	-	278	130,461	-	-	4,970,796	5,590,671
Deferred acquisition costs	2,277,641	280,018	3,575,591	264,755	457,967	358,257	256,550	402,177	429,211	1,824,896	10,127,063
Government securities	86,550,761	-	1,155,575	-	-	-	-	-	-	9,453,426	97,159,762
Offshore investments	9,944,024	-	-	-	-	-	-	-	-	-	9,944,024
Deposits with financial institutions	90,123,532	-	7,703,587	1,792,451	-	-	-	6,995,168	-	144,406	106,759,144
Corporate Bonds and Loans	-	-	828,025	-	-	-	260,971	-	-	-	1,088,996
Cash and bank balances	434,395	-	267,067	472,831	4,357	474	62,077	517,307	89,169	1,491,237	3,338,914
Total	281,345,909	1,160,258	35,346,233	3,345,913	3,585,856	3,642,584	2,232,915	11,327,039	3,843,611	26,579,425	372,409,743
Liabilities											
Reinsurance contract liabilities	21,234,741	6,752,629	25,753,480	975,940	2,736,425	4,909,917	1,952,685	3,458,099	2,319,293	20,303,514	90,396,723
Payables arising from retrocession arrangements	4,649,810	314,419	1,054,652	9,415	14,343	357,095	79,074	24,412	1,275,856	2,555,115	10,334,191
Payables arising from reinsurance arrangements	2,382,243	161,087	540,331	4,824	7,348	182,951	40,512	12,507	653,661	1,309,065	5,294,529
Deposits retained on ceded reinsurance business	695,656	-	-	-	-	-	-	-	-	-	695,656
Unearned premium reserves	8,546,314	1,050,703	13,416,564	993,430	1,718,413	1,344,277	962,642	1,509,075	1,610,514	6,847,491	37,999,423
Deferred Retrocession Revenue	2,331,202	-	-	-	-	-	-	-	-	-	2,331,202
Total	39,839,966	8,278,838	40,765,027	1,983,609	4,476,529	6,794,240	3,034,913	5,004,093	5,859,324	31,015,185	147,051,724
Net financial position exposure	241,505,943	(7,118,580)	(5,418,794)	1,362,304	(890,673)	-3,151,656	(801,998)	6,322,946	(2,015,713)	(4,435,760)	225,358,019

NOTES TO THE FINANCIAL STATEMENTS (continued)

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Financial risk management (continued)

(c) Liquidity risk

The Company is exposed to calls on its available cash resources from reinsurance claims and settlement of retrocession premiums. The Company ensures that the maturity profile of investments is well managed so that cash is readily available to meet claims as they arise.

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of reinsurance contracts as of 31 December 2019:

	Total Amount 2019	No stated maturity	Contractual cash flows (undiscounted) 0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5yrs	>5yrs
Financial assets:								
Receivables arising out of reinsurance arrangements	36,645,827	-	36,645,827	-	-	-	-	-
Deposits retained by ceding companies	5,883,243	-	5,883,243	-	-	-	-	-
Retrocessionaires' share of technical liabilities	32,360,272	-	32,360,272	-	-	-	-	-
Deferred acquisition costs	11,392,067	-	11,392,067	-	-	-	-	-
Government securities	108,606,220	-	25,599,342	35,376	23,307,303	-	11,255,650	48,408,549
Deposits with financial institutions	105,807,266	-	105,807,266	-	-	-	-	-
Corporate bonds and loans	987,912	-	290,494	516,657	-	180,761	-	-
Cash and bank balances	3,600,224	-	3,600,224	-	-	-	-	-
Total	305,283,031	-	221,578,735	552,033	23,307,303	180,761	11,255,650	48,408,549
Reinsurance liabilities:								
Reinsurance contract liabilities	95,341,416	-	95,341,416	-	-	-	-	-
Payables arising from retrocession arrangements	11,594,070	-	11,594,070	-	-	-	-	-
Payables arising from reinsurance arrangements	6,754,962	-	6,754,962	-	-	-	-	-
Deposits retained on ceded reinsurance business	638,968	-	638,968	-	-	-	-	-
Deferred retrocession revenue	2,756,449	-	2,756,449	-	-	-	-	-
Total	117,085,865	-	117,085,865	-	-	-	-	-
Net liquidity surplus	**188,197,166**	**-**	**104,492,870**	**552,033**	**23,307,303**	**180,761**	**11,255,650**	**48,408,549**

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Financial risk management (continued)

(c) Liquidity risk (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of short term reinsurance contracts as of 31 December 2017:

	Total Amount 2018	No stated maturity	Contractual cash flows (undiscounted)				
			0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	'5yrs
Financial assets:							
Receivables arising out of reinsurance arrangements	36,980,365	-	36,980,365	-	-	-	-
Deposits retained by ceding companies	5,590,671	-	5,590,671	-	-	-	-
Retrocessionaires' share of technical liabilities	31,149,478	-	31,149,478	-	-	-	-
Deferred acquisition costs	10,127,063	-	10,127,063	-	-	-	-
Government securities	97,240,792	-	9,587,131	20,279,741	-	42,843,225	24,530,695
Deposits with financial institutions	106,759,144	-	48,006,948	58,752,196	-	-	-
Corporate bonds and loans	1,108,160	-	-	260,971	-	-	847,189
Cash and bank balances	3,338,914	-	3,338,914	-	-	-	-
Total	292,294,587	-	144,780,570	79,292,908	-	42,843,225	25,377,884
Reinsurance liabilities:							
Reinsurance contract liabilities	90,396,723	-	90,396,723	-	-	-	-
Payables arising from retrocession arrangements	10,334,191	-	10,334,191	-	-	-	-
Payables arising from retrocession arrangements	5,294,529	-	5,294,529	-	-	-	-
Deposits retained on ceded reinsurance business	695,656	-	695,656	-	-	-	-
Deferred retrocession revenue	2,331,202	-	2,331,202	-	-	-	-
Total	109,052,301	-	109,052,301	-	-	-	-
Net liquidity surplus	183,242,286	-	35,728,269	79,292,908	-	42,843,225	25,377,884

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

The fair value of investment securities held at amortised cost as at 31 December 2019 is estimated at US$ 109,352,192 (2018: US$ 99,780,436) compared to their carrying value of US$ 106,942,729 (2018: US$ 99,680,243). The fair values of the Company's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above.

(ii) Fair value hierarchy

The Company 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 Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 - Inputs for the assets or liabilities 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 Company considers relevant and observable market prices in its valuations where possible.

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the analysis by level of the fair value hierarchy.

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Fair value of financial assets and liabilities (continued)

(c) Liquidity risk (continued)

The table below shows the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of short term reinsurance contracts as of 31 December 2017:

Financial assets/liabilities	Fair value as at 31 December 2019 US$	Fair value as at 31 December 2018 US$	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Equity investments	25,377,958	22,295,615	Level 1	Quoted bid prices in an active market	N/A	N/A
Offshore investments	24,954,423	9,944,024	Level 2	Quoted bid prices in an active market	N/A	N/A
Investment in affiliated companies	21,389,686	20,198,672	Level 3	Net Asset value	N/A	N/A

There were no transfers between levels 1 and 2 in the period (2018: nil).

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Fair value of financial assets and liabilities (continued)

At 31 December 2019	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets:				
Equity investments	25,377,958	-	-	25,377,958
Offshore investments	24,954,423	-	-	24,954,423
Investment in affiliated companies	-	-	21,389,686	21,389,686
Total	50,332,381	-	21,389,686	71,722,067

At 31 December 2018	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets:				
Equity investments	22,295,615	-	-	22,295,615
Offshore investments	9,944,024	-	-	9,944,024
Investment in affiliated companies	-	-	20,198,672	20,198,672
Total	32,239,639	-	20,198,672	52,438,311

(iii) Financial assets by category

At 31 December 2019	Amortised cost US$	Fair value through other comprehensive income US$	Total US$
Equity investments	-	25,377,958	25,377,958
Investment in affiliated companies	-	21,389,686	21,389,686
Receivables arising out of reinsurance arrangements	36,645,827	-	36,645,827
Deposits retained by ceding companies	5,883,243	-	5,883,243
Other receivables	5,958,116	-	5,958,116
Government securities	107,801,093	-	107,801,093
Offshore investments	-	24,954,423	24,954,423
Deposits with financial institutions	105,475,246	-	105,475,246
Corporate bonds and loans	1,011,410	-	1,011,410
Cash and bank balances	3,600,224	-	3,600,224
Total assets	**266,375,159**	**71,722,067**	**338,097,226**

40 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Financial assets by category (continued)

At 31December 2018	Amortised cost US$	Fair value through other comprehensive income US$	Total US$
Equity investments	-	22,295,615	22,295,615
Investment in affiliated companies	-	20,198,672	20,198,672
Receivables arising out of reinsurance arrangements	36,980,365	-	36,980,365
Deposits retained by ceding companies	5,590,671	-	5,590,671
Other receivables	9,740,079	-	9,740,079
Government securities	97,159,762	-	97,159,762
Offshore investments	-	9,944,024	9,944,024
Deposits with financial institutions	106,759,144	-	106,759,144
Corporate bonds and loans	1,088,996	-	1,088,996
Cash and bank balances	3,338,914	-	3,338,914
Total assets	**260,657,931**	**52,438,311**	**313,096,242**

41 CAPITAL MANAGEMENT

The Company is not subject to any externally imposed capital requirements. However, the Company continues to actively grow its available capital to meet rating agencies' requirements for its target rating as well as achieve a comfortable internally determined capital adequacy ratio (available capital divided by required risk adjusted capital).

The Company'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.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

The Company has a number of sources of capital available to it and seeks to optimise its retention capacity in order to ensure that it can consistently maximise returns to shareholders. The Company 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 Company manages as capital all items that are eligible to be treated as capital.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

41 CAPITAL MANAGEMENT (continued)

The constitution of capital managed by the Company is as shown below:

	2019 US$	2018 US$
Share capital	57,255,956	57,068,271
Share premium	51,341,712	50,395,786
Property revaluation reserve	644,751	552,010
Investments revaluation reserve	(231,713)	(4,122,514)
Investment in affiliated companies revaluation reserve	7,743,605	6,552,591
Retained earnings	145,565,224	119,299,739
	262,319,535	229,745,883

42 POST BALANCE SHEET EVENTS

On 11 March 2020, the World Health Organisation (WHO) declared COVID-19 a global pandemic. Outbreaks of the disease have been recorded in countries around the world with drastic measures being taken, including the closure of borders, institution of curfews and lockdowns. In our operating markets, the infections are on the rise. Businesses have scaled back operations to contain the spread of the virus and in line with the measures taken by the respective governments to mitigate the effects of adverse developments arising from rapid transmission of the virus. In addition, governments have instituted initiatives targeted towards easing economic pressures and increasing the flow of funds, tax reliefs and lowering of tax rates as well as monetary policies aimed at reducing interest rates and allowing for extended loan repayment. In similar respect development institutions are providing stimulus packages to enable countries respond to the impact of the pandemic.

Although these concerted efforts are expected to yield positive results, the directors anticipate this depressed economic environment to impact the Company's business and financial results in 2020. The full impact on the Company's performance is yet to be determined. As at the time of release of these financial statements and based on the assessments made, the directors are not aware of any material issues and uncertainties related to these events or conditions that may cast doubt upon the Company's ability to continue as a going concern. Further, the directors consider the carrying value of the assets held at 31 December 2019 to be fairly stated.

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

APPENDIX I

Class of insurance Business	Property	Casualty	Motor	Marine	Aviation	Life	Medical	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Gross premiums written	88,539,259	51,987,520	9,986,296	10,047,407	3,655,358	17,116,798	25,776,993	207,109,631
Less: retrocession premiums	(31,883,613)	(17,735,629)	(553,430)	(2,517,018)	(3,101,017)	(2,937,892)	(949,240)	(59,677,839)
Net premiums written	56,655,646	34,251,891	9,432,866	7,530,389	554,341	14,178,906	24,827,753	147,431,792
Change in UPR	(851,912)	(2,414,573)	509,471	354,974	66,415	(177,983)	(963,237)	(3,476,845)
Exchange gains on revaluation of UPR	(108,909)	(573,847)	(14,683)	(27,654)	(103)	(13,181)	25,451	(712,926)
Net earned premiums	**55,694,825**	**31,263,471**	**9,927,654**	**7,857,709**	**620,653**	**13,987,742**	**23,889,967**	**143,242,021**
Gross claims paid	28,456,914	24,800,862	7,189,649	3,582,261	175,325	6,375,034	17,885,408	88,465,453
Change in gross outstanding claims	815,561	526,121	53,049	998,580	(44,382)	408,713	2,187,051	4,944,693
Exchange gains on revaluation of outstanding claims	529,171	412,751	507,693	85,879	122	32,718	76,549	1,644,883
Less: amounts recoverable from retrocessionaires	(2,844,041)	(6,801,280)	(40,361)	(76,648)	(4,131)	(1,072,276)	(837,709)	(11,676,446)
Net claims incurred	**26,957,605**	**18,938,454**	**7,710,030**	**4,590,072**	**126,934**	**5,744,189**	**19,311,299**	**83,378,583**
Commissions earned	(5,365,357)	(3,001,533)	(28,441)	(162,866)	(103,987)	(597,087)	(235,236)	(9,494,507)
Commissions expense	23,912,477	11,450,227	1,003,308	2,706,616	254,577	4,364,844	5,852,650	49,544,699
Charges and taxes	696,659	213,119	68,292	107,636	(38,738)	93,835	286,529	1,427,332
Expenses of management	5,452,588	3,201,591	614,994	618,758	225,111	1,054,118	1,587,446	12,754,606
Total expenses and commissions	**24,696,367**	**11,863,404**	**1,658,153**	**3,270,144**	**336,963**	**4,915,710**	**7,491,389**	**54,232,130**
Underwriting profit/(loss)	**4,040,853**	**461,613**	**559,471**	**(2,507)**	**156,756**	**3,327,843**	**(2,912,721)**	**5,631,308**
Key ratios:								
Loss ratio *(net claims incurred/net earned premium)*	48.4	60.6	77.7	58.4	20.5	41.1	80.8	58.2
Commissions ratio *(net commissions /net earned premium)*	33.3	27.0	9.8	32.4	24.3	26.9	23.5	28.0
Expense ratio *(management expenses/net earned premium)*	9.8	10.2	6.2	7.9	36.3	7.5	6.6	8.9
Combined ratio *(underwriting outgo/net earned premium)*	92.7	98.5	94.4	100.0	74.7	76.2	112.2	96.1

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

APPENDIX II

Class of insurance Business	Property	Casualty	Motor	Marine	Aviation	Life	Medical	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Gross premiums written	81,452,925	37,164,603	12,948,132	10,006,285	2,684,384	14,611,972	19,666,639	178,534,940
Less: retrocession premiums	(29,958,720)	(12,084,684)	(976,529)	(1,720,922)	(3,416,466)	(3,772,518)	(13,524)	(51,943,363)
Net premiums written	51,494,205	25,079,919	11,971,603	8,285,363	(732,082)	10,839,454	19,653,115	126,591,577
Change in UPR	(2,113,327)	(211,281)	(297,717)	(291,097)	5,829	(452,410)	(893,099)	(4,253,102)
Exchange gains on revaluation of UPR	(680,890)	(442,451)	(14,936)	(92,451)	(27)	(9,393)	(160,120)	(1,400,268)
Net earned premiums	**48,699,988**	**24,426,187**	**11,658,950**	**7,901,815**	**(726,280)**	**10,377,651**	**18,599,896**	**120,938,207**
Gross claims paid	30,318,088	12,561,483	9,366,026	4,495,821	307,737	7,440,391	14,310,019	78,799,565
Change in gross outstanding claims	(7,493,919)	4,162,969	3,086,096	736,205	(81,757)	1,392,850	465,252	2,267,696
Exchange gains on revaluation of outstanding claims	1,355,794	296,584	387,235	57,155	239	1,052	22,532	2,120,591
Less: amounts recoverable from retrocessionaires	2,113,444	(6,932,320)	40,646	(1,837,583)	(2,392)	(1,541,984)	(222,715)	(8,382,904)
Net claims incurred	**26,293,407**	**10,088,716**	**12,880,003**	**3,451,598**	**223,827**	**7,292,309**	**14,575,088**	**74,804,948**
Commissions earned	(7,942,612)	(1,882,717)	(128,714)	(397,614)	(311,543)	(734,608)	(6,228)	(11,404,036)
Commissions expense	23,592,780	9,174,434	1,507,964	2,992,527	244,510	3,466,863	4,376,834	45,355,912
Charges and taxes	681,827	168,646	79,026	83,576	14,297	7,369	166,942	1,201,683
Expenses of management	4,178,405	1,906,488	664,219	513,307	137,705	749,572	1,008,869	9,158,565
Total expenses and commissions	**20,510,400**	**9,366,851**	**2,122,495**	**3,191,796**	**84,969**	**3,489,196**	**5,546,417**	**44,312,124**
Underwriting profit/(loss)	**1,896,181**	**4,970,620**	**(3,343,548)**	**1,258,421**	**(1,035,076)**	**(403,854)**	**(1,521,609)**	**1,821,135**
Key ratios:								
Loss ratio *(net claims incurred/net earned premium)*	54.0	41.3	110.5	43.7	(30.8)	70.3	78.4	61.9
Commissions ratio *(net commissions /net earned premium)*	32.1	29.9	11.8	32.8	9.2	26.3	23.5	28.1
Expense ratio *(management expenses/net earned premium)*	8.6	7.8	5.7	6.5	(19.0)	7.2	5.4	7.6
Combined ratio *(underwriting outgo/net earned premium)*	96.1	79.7	128.7	84.1	(42.5)	103.9	108.2	98.5

SCHEDULE OF MEMBERSHIP

APPENDIX III

Class	Shareholder	2019 US$	2019 Shareholding %	2018 US$	2018 Shareholding %
CLASS A	Kenya Reinsurance Corporation Ltd	10,962,115	19.15	10,883,111	19.08
	TDB	10,777,206	18.82	10,777,206	18.88
	Government of Rwanda	3,679,619	6.43	3,653,100	6.40
	PSSSF	2,397,553	4.19	2,397,553	4.20
	Government of Sudan	2,257,772	3.94	2,241,558	3.93
	National Insurance Corporation (T) Ltd	2,005,904	3.50	2,005,904	3.51
	Government of Djibouti	1,837,544	3.21	1,837,544	3.22
	Government of Zambia	1,508,938	2.64	1,508,938	2.64
	ZSIC – Pension Trust	1,449,268	2.53	1,438,823	2.52
	NICE	1,469,698	2.57	1,435,266	2.51
	Government of Kenya	492,417	0.86	492,417	0.86
	Sheikan Ins. & Reins. Ltd	420,274	0.73	417,256	0.73
	SOCABU	409,203	0.71	406,265	0.71
	COMESA Secretariat	376,453	0.66	376,453	0.66
	EMOSE	371,562	0.65	371,562	0.65
	Industrial Development Corporation - Zambia	323,073	0.56	323,073	0.57
	Government of Mauritius	261,161	0.46	261,161	0.46
	ZSIC Life	262,320	0.46	260,435	0.46
	CMAR (NY Havana)	245,244	0.43	245,244	0.43
	Société Nationale d'Assurances (SA)	175,608	0.31	174,342	0.31
	ZIC	130,215	0.23	130,215	0.23
CLASS B	Mayfair Insurance Company Ltd	735,972	1.29	735,972	1.29
	SORAS	516,673	0.90	516,673	0.91
	United Insurance Company Ltd	511,160	0.89	507,489	0.89
	Amerga	508,239	0.89	504,589	0.88
	Baobab Reinsurance Company Ltd	488,397	0.85	488,397	0.86
	Juba Insurance Company Ltd	415,425	0.73	412,442	0.72
	Blue Shield Insurance Company Ltd	372,953	0.65	372,953	0.65
	GXA	266,237	0.46	266,237	0.47
	Assurances BICOR	244,375	0.43	244,375	0.43
	Statewide Insurance Company Ltd	230,335	0.40	228,675	0.40
	SONARWA	144,322	0.25	144,322	0.25
	National Insurance Corporation (U) Ltd	127,663	0.22	127,663	0.22
	Apollo Insurance Company Ltd	124,984	0.22	124,984	0.22
	Sanlam Uganda General Insurance Ltd	113,845	0.20	113,845	0.20
CLASS C	African Development Bank	7,277,029	12.71	7,277,029	12.75
	DEG	3,365,200	5.88	3,365,200	5.90
TOTAL		**57,255,956**	**100.00**	**57,068,271**	**100.00**

Key:		
SOCABU	=	Société d'Assurances du Burundi
EMOSE	=	Empresa Mocambicana de Seguros
SONARWA	=	Société Nouvelle d'Assurances du Rwanda
SORAS	=	Société Rwandaise d'Assurances
ZIC	=	Zanzibar Insurance Corporation
PSSSF	=	Public Service Social Security Fund
ZSIC	=	Zambia State Insurance Corporation
TDB	=	The Eastern and Southern African Trade Development Bank
CMAR (NY Havana)	=	Compagnie Malgache d' Assurances et de Reassurances (NY Havana)
NICE	=	National Insurance Corporation of Eritrea (Share) Company
COMESA	=	Common Market for Eastern and Southern Africa
DEG	=	Deutsche Investitions - und Entwicklungsgesellschaft mbH

CREDIT RATING CERTIFICATE

APPENDIX IV

A.M. Best Company

certifies that

ZEP-RE

(PTA Reinsurance Company)

has a

Best's Financial Strength Rating

of

B++ (Good)

Certificate Publication Date: December 11, 2019

Best's Ratings are subject to change.
To confirm the latest rating or to learn more about A.M. Best's ratings, visit www.ambest.com
A.M. Best Company
Ambest Road, Oldwick, NJ 08858 USA

President

Chief Rating Officer

CREDIT RATING CERTIFICATE

APPENDIX V

GCR RATINGS

Certifies that

ZEP-Re (PTA Reinsurance Company)

has a

Financial Strength Rating of

National Scale: **$\text{AAA}_{\text{(KE)}}$ / Outlook: Stable**

10-Dec-19

DATE

CHIEF RATINGS OFFICER

GCR's ratings are subject to change.
To confirm the latest rating or to learn more about GCR, visit www.GCRratings.com

NOTES

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