Annual Report & Financial Statements 2020

About us

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.

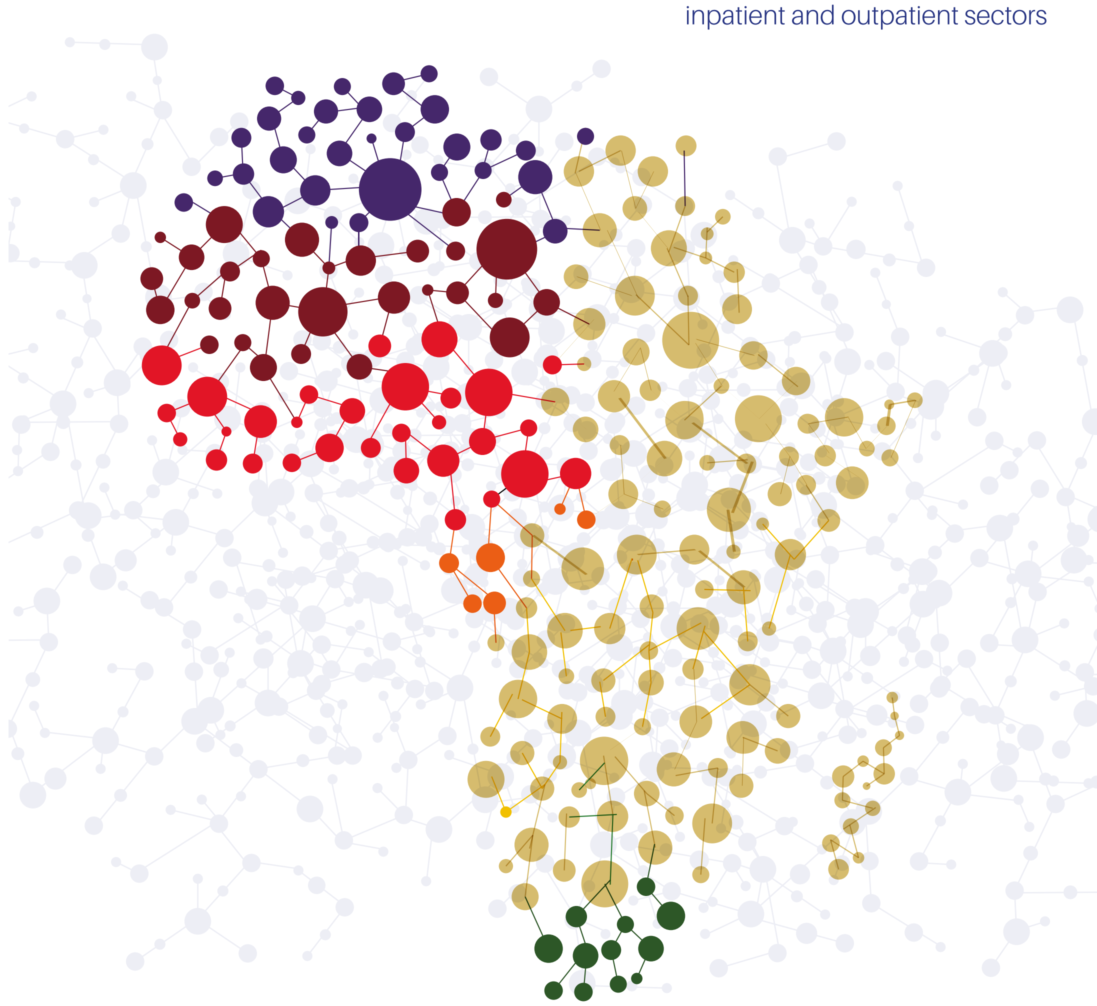
Our Value Proposition

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.

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 and property damage as a result of an accident. Motor insurance will also provide financial protection against loss or theft of vehicles, and losses brought by natural disasters.

Life

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

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.

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 IMARC (a leading market research company that provides market and business research intelligence across the globe), the global takaful market is expected to grow at a CAGR of around 11% during the forecast period (2021-2026). Takaful in Africa has the 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.

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.

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.

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. ZEPRE 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
- Customer driven
- A professional team
- Committed to our work
- We act with integrity
- We are a responsible corporate citizen

Table of contents

Corporate Information

Board of Directors

Chairman	Mr. William Erio
Interim Vice Chairperson	Ms. Christabel Banda
Managing Director	Ms. Hope Murera
Member	Mr. Mohammed Satti
Member	Ms. Rehema Namutebi
Member	Mr. Daher Warsama Robleh
Member	Mr. Simon Putsai Chikumbu
Member	Mr. Tadesse Admassu
Member	Ms. Chileshe Mpundu Kapwepwe
Member	Mr. Chiboli Induli Shakaba
Member	Mr. Jan Gross
Member	Mr. Ewan Wheeler

Alternate Directors

Mr. Kennedy Siamuwele

Mr. Mohamed Aden Aboubaker

Mr. Hosea Kashimba

Mr. Mohammed Kalif

Mr. Zuheir Hassan Ibrahim

Dr. Kipyego Cheluget

Mr. Jadiah Mwarania

Mr. Ingo Schultz

Ms. Joy Uwinema Ntare

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**
Ms. Rachael Gitonga	**Chief Finance Officer**
Ms. Miriam Magala	**Company Secretary/ Head of Legal & Regulatory Affairs**
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**
Mr. Nicholas Malombe	**Assistant Director, Life & Micro-Insurance**
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**

Head Office

Nairobi, Kenya
ZEP-RE Place, 8th Floor
Longonot Road, Upper Hill
P. O. Box 42769 – 00100
Nairobi, Kenya
Telephone: +254202738221/4973000
Email: mail@zep-re.com
Website: www.zep-re.com

Regional Hubs

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

Harare, Zimbabwe
Joina City, 16th Floor -North Wing
Cnr Jason Moyo and Inez Terrace,
Harare, Zimbabwe
Telephone +263 4 777 929/932

Country Offices

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

Khartoum, Sudan
Reinsurance House Building
P. O. Box 3224
Khartoum, Sudan
Telephone: +249 183799357/8

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

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

Bankers

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

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

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

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

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

Stanbic Bank Zimbabwe Limited
Parklane Branch
Harare, Zimbabwe

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

Auditors

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

Board of directors

William Erio

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.

Christabel Banda

Christabel Banda is a Non- Executive Director on the Board of ZEP- Re and the interim Vice-Chairperson 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 is currently the President of the Association. She also serves as the Chairperson of the National Road Fund Agency. Christabel is a Chartered Insurer and Chartered Accountant and holds a Masters Degree in Business Administration.

Hope Murera

Hope Murera is the Managing Director of ZEP-RE and has previously served as General Manager and Company Secretary 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).

Chileshe Mpundu Kapwepwe

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 several 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. Kapwepwe is a Chartered Accountant and holds a Masters Degree in Business Administration from the University of Bath, United Kingdom.

Tadesse Admassu

Tadesse Admassu is a non-Executive Director of ZEP-RE. He joined the Board of ZEP-RE in May 2013. He is an international banker specialized in trade and development finance with experience at board and executive-levels globally and in Africa. He is currently the Group MD and CEO of the Eastern and Southern Africa Trade and Development Bank (Trade Development Bank (TDB)). Tadesse 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, he worked in various positions in banking and funds in Johannesburg, Windhoek and New York. He is currently a Non-Executive Director at the Gulf Africa Bank. He serves in several industry bodies, globally and in Africa, including the boards of ESATF, ESATAL and TDF subsidiaries of TDB Group.

Ewan Wheeler

Ewan Wheeler is a Non- Executive Director on the Board of ZEP- Re. He was elected to the Board in June 2019. Among his present roles, Ewan advises the Mauritian insurer, Swan Group, on international development and expansion. He is also a Non- Executive Director in Swan General Insurance Zambia Ltd. as well as with private equity fund Ascent Capital Africa II Ltd. Prior to his current appointments, he worked as the CIO of Aprica Investments Ltd, an investment vehicle focused on African insurance investments and before that with the African Development Bank where he was responsible for managing the Bank's investments in East Africa. He 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).

Jan Gross

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. Jan 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.

Daher Warsama Robleh

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). Daher has over 28 years' experience in the insurance and reinsurance industry. He holds a University degree in Technology and Finance and Accounting from Ch Anta Diop University of Dakar, Senegal.

Mohammed Satti

Mohamed Satti is a Non-Executive Director on the Board of ZEP- RE. He was elected to the Board in August 2020. He is a highly qualified insurance and reinsurance professional with over 30 years' experience in varied components of the sector, including insurance, reinsurance, brokerage and insurance agency in Sudan. Mohammed has served in both Management and Underwriting positions and is currently the Secretary General of the National Insurance Regulatory Authority of Sudan. He holds a BSC (Insurance) from the Cairo University (Egypt).

Chiboli Induli Shakaba

Chiboli Induli Shakaba is a Non-Executive Director on the Board of ZEP- RE. He was elected to the Board in August 2020. He is a seasoned public officer with over 30 years of experience in the Kenya civil service. He has held positions in the Government of the Republic of Kenya, in various capacities in the Office of the President, the National Treasury and Ministries of Health, Home Affairs as well as Lands and Housing. He also served as the Permanent Secretary in the Ministry of East Africa Community Affairs.

Chiboli is a member of the Institute of Directors of Kenya and has further served as Alternate Director on the Boards of National Housing Corporation of Kenya, Post Office Savings Bank, Development Bank of Kenya, Nzoia Sugar Company Ltd, Kenya National Examinations, Communications Commission of Kenya. He was appointed to the Board of Kenya Reinsurance Corporation Ltd, in June 2014 and with effect from 1st August 2019 was appointed the Chairman of the Board. He holds a Bachelor of Arts degree in Political Science from the University of Nairobi (Kenya), and a Masters Degree in Public Administration (MPA) from Harvard University (USA)

Rehema Namutebi

Rehema Namutebi is an Alternate Non-Executive Director on the Board of ZEP- Re. She was elected to the Board in June 2019. She is the Director General of National Budget at the Ministry of Finance and Economic planning of Rwanda.

Rehema has wide experience in strategic planning, budgeting and public finance management and has held several senior positions in the Government of Rwanda. She has also served as Chairperson of several Boards of public and private organisations in Rwanda. She currently sits on the Board of Prime Holding Limited. She is a Member of ACCA-UK and the Institute of Certified Public Accountants of Rwanda (ICPAR). She holds a Master of Science Degree in Finance and Accounting from Makerere University, Kampala, Uganda.

Simon Putsai Chikumbu

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, a Fellow 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 more than 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). Simon sits on the Boards of FBC Reinsurance Company Ltd, Zimbabwe, and other companies in Southern Africa.

MANAGEMENT TEAM

Managing Director
Ms. Hope Murera

Chief Operating Officer
Jephita Gwatipedza

Director, Strategy & Investments
Mr. Benjamin Kamanga

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

Chief Finance Officer
Ms. Rachael Gitonga

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

Chief Information Officer
Mr. Alexio Manyonde

Regional Director, Eastern Africa Hub
Mr. Bernard Katambala

Chief Risk Officer
Ms. Deniese Imoukhuede

Assistant Director, Claims & Quality Assurance
Mr. Eliud Nderitu

Head of Retakaful Window
Dr. Hatim Mudawi

Head of COMESA Pools & Stakeholder Relations
Mr. Jerry Sogoli

HR & Administration Manager
Mr. Joseph Nabimanya

Assistant Director, Life & Micro-Insurance
Mr. Nicholas Malombe

Head of Investments
Mr. Reuben Koech

Assistant Director, ZEP-RE Academy
Mr. Shipango Muteto

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

Head of Technical Accounting & Credit Control
Mr. Beneah Otieno

Project Management & Transformation Manager
Ms. Sheila Byenkya

Claims Manager
Mr. William Nyaindiga

Notice Of The 30th Annual General Assembly

NOTICE IS HEREBY GIVEN that the 30th Annual General Assembly of ZEP-RE (PTA Reinsurance Company) will be held as 'Virtual only' meeting via the ZOOM Platform on 27th May 2021 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 5th August 2020.
4. To consider and adopt the Financial Statements for the year ended 31st December 2020 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 2020.
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 paid out in cash (US$2.5 million) and through issue of bonus shares equivalent to US$ 2.5 million. The basis of allocation of bonus shares shall be 1 share for every 159 shares held as at 31 December 2020.
7. To consider and if approved, appoint External Auditors for 2021 and approve their remuneration.
8. 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 via email mmagala@zep-re.com and copy nnjiraini@zep-re.com not later than 1700 hours (EAT) on Wednesday, 13th May 2021.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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 2020.

2020 ECONOMIC CONDITIONS

GLOBAL

The far reaching and adverse impact of the COVID-19 outbreak, at the start of 2020 brought the World to a halt and continues to affect us. Its toll on the health and economic structures not only differs from past downturns but the extent of its impact remains extremely uncertain. Growth projections have therefore been forecast taking into consideration activity disruptions due to the pandemic, commodity prices, financial conditions, and policy support. The COVID-19 pandemic had a more negative impact on activity in the first and second half of 2020 than anticipated. The synchronized nature of the downturn amplified domestic disruptions around the globe. Trade contracted by close to 3.5% (year over year) in the first quarter alone, reflecting weak demand, the collapse in cross-border tourism, and supply dislocations related to shutdowns (exacerbated in some cases by trade restrictions). Firms also cut back on investment when faced with abrupt demand declines, supply interruptions, and uncertain future earnings prospects. Thus, there was a broad-based aggregate demand shock, compounding near-term supply disruptions due to lockdowns.

As at October 2020, global growth was revised upwards to an estimated −4.4% in 2020, 0.8 percentage points variation from the June 2020 World Economic Outlook (WEO) forecast. This reflected a somewhat less severe though still deep recession in 2020, relative to June forecasts. The revision was driven by second quarter GDP outturns in large, advanced economies, which were not as negative as had been projected; China's return to growth, which was stronger than expected; and signs of a more rapid recovery in the third quarter. Outturns would have been much weaker if it were not for sizable, swift, and unprecedented fiscal, monetary, and regulatory responses that maintained disposable income for households, protected cash flow for firms, and supported credit provision. Collectively these actions have so far prevented a recurrence of the financial catastrophe of 2008-09.

All regions have experienced negative growth in 2020. However, the variation across individual economies remained dependent on the effectiveness of their containment strategies, economic structure (reliance on tourism, oil, external financial inflows, and pre-crisis growth trends). The Latin America and the Caribbean area were the hardest hit contracting (from 0.2% in 2019 to -7.4% in 2020). Close behind is the Euro Area (from 1.3% in 2019 to -7.2% in 2020), advanced economies: Japan (from 0.3% in 2019 to -5.1% in 2020) and the United States (from 2.2% in 2019 to -3.4% in 2020). Emerging and Developing Asia were the least affected (from 5.4% in 2019 to -1.1% in 2020), as China, where the recovery from the sharp contraction in the first quarter is underway, grew by 2.3% in 2020, supported in part by policy stimulus.

REGIONAL

2020 kicked off with a set of unique challenges; the combination of a global pandemic, collapse of commodity prices, existing security and environment challenges have cast a shadow on the region's outlook. Real GDP growth in sub-Saharan Area (SSA) is estimated to contract to -2.6% in 2020 from 3.2% in 2019 as the onset of the pandemic was delayed in sub-Saharan Africa, and infection rates have been relatively low compared with other parts of the world. The largest impact of the crisis on growth has been for tourism-dependent economies, while commodity-exporting countries have also been hit hard. Growth in more diversified economies slowed significantly, but in many cases still remained positive in 2020.

Of key emphasis is the spillover impact of this pandemic on government debt, which is not only expected to rise exponentially but also offset reforms geared towards development. Debt levels were already elevated before the COVID-19 crisis. Among the region's 35 mainly low-income countries, nine were classified as being at high risk of debt distress and seven were already in debt distress. On average, public debt levels in the region were expected to gradually decline prior to the pandemic, but a significant rise is certain due to increased borrowing for budget support.

The COMESA region remains our key market. The annual average GDP growth rate for the region is estimated to have declined from 3.76% in 2019 to -6.35% in 2020 on account of sharp declines from Libya (estimated to contract by -66.6% as the effects of the war in Tripoli were exacerbated by the pandemic and decline in oil prices), Mauritius and Seychelles that are estimated to contract by -14.2% and -13.8% respectively due to the impact of the pandemic on these tourism dependent countries.

BUSINESS PERFORMANCE

Insurance markets' growth was subdued. The Company managed to register a 0.5% growth of gross premium income over that of previous year in spite of a slow-down in the economy due to the global pandemic. Kenya remained the largest contributor of the company's business in 2020 followed by Uganda, Zimbabwe, Tanzania, Sudan and Zambia.

The performance in 2020 was negatively impacted by a significant upward movement in claims. Exchange rates for most local currencies depreciated against the United States Dollar. In 2020, the Kenyan Shilling depreciated by 7.5%, Zambian Kwacha by 50.3% and Zimbabwean Dollar by 387.6% against the United States Dollar. The investment income declined from US$ 28.9 million in 2019 to US$ 12.4 million in 2020 mainly due to significant fair value gain on investment property of US$ 14.1 million reported in previous year.

The combination of these factors, exacerbated by the COVID-19 global pandemic reduced the Company's profit from US$ 28.8 million in 2019 to US$ 17.3 million in 2020, a 40.0% reduction.

DIVIDEND

The Board of Directors recommend a dividend of US$ 5.0 million from the results of 2020 (2019 – US$ 5.0 million). The proposed dividend is to be paid out in cash (US$2.5 million) and through issue of bonus shares equivalent to US$ 2.5 million. The basis of allocation of bonus shares shall be 1 share for every 159 shares held as at 31 December 2020.

STRATEGIC FOCUS

Whilst the future remains uncertain, the Company is committed to its growth strategy aimed at business leadership in its core markets and expansion into new business frontiers as a means of building a solid base targeted 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. Our goal is to sustain these efforts while ensuring that we remain vigilant and responsive to the needs of our clients and key business partners.

GOVERNANCE

During the year, we had changes of membership on the Board of the Company. Mr. Chiboli Induli Shakaba was appointed as a substantive Director representing Kenya Re on the Board, while Mr. Mohamed Satti was appointed to replace Mr. Mohammed Mousa Idris who retired as Regulator of the Sudan insurance market and therefore as a Director representing the Government of Sudan. In addition, vide AGM resolution 15/2020, the AGM mandated the Board to appoint a Vice- Chairperson, and Ms. Christabel Banda was appointed Interim Vice- Chairperson until the next General Meeting of the Company

2021 ECONOMIC OUTLOOK

Although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. Amid exceptional uncertainty, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022. The 2021 forecast is revised up 0.3 percentage points relative to the previous forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies. The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spill-overs, and structural characteristics entering the crisis. Additional policy measures announced at the end of 2020 notably in the United States and Japan are expected to provide further support in 2021 and 2022 to the global economy. These developments indicate a stronger starting point for the 2021 and 2022 global outlook than envisaged in the previous forecast.

Growth in the sub-Saharan region is projected to recover to 3.2% in 2021 subject to the continued gradual easing of restrictions. However, a downside risk could materialize, and health systems could get overwhelmed before attaining the vaccine as a number of countries have eased their containment strategies in spite of infections not reaching their peak. In the region's largest economies (Angola, Nigeria, South Africa), real GDP is projected to return to pre-crisis levels only by 2023 or 2024. Many countries, particularly low-income developing economies, entered the crisis with high debt that is set to rise further during the pandemic. The global community is working closely to ensure adequate access to international liquidity for these countries. Where sovereign debt is unsustainable, eligible countries are working with creditors to restructure their debt under the Common Framework agreed by the G20.

As of February 2021, S&P Global Ratings has downgraded Kenya's long-term foreign and local currency sovereign credit rating to 'B' from 'B+' due to higher expected fiscal deficits, which are likely to be financed by increasing debt. Similarly, Ethiopia become the second African government to adopt the G20's Common Framework for Debt Treatment. This framework goes beyond the World Bank's Debt Service Suspension Initiative (DSSI) as it includes the broad participation of private sector creditors therein indicating signs of a possible downgrade by rating agencies in the near term.

In February 2021, the Central Bank of Sudan announced the liberalization of foreign currencies which has already seen the Sudanese Pound depreciate against the United States Dollar by 582%. The depreciation is expected to have significant impact on the Company's performance in the Sudan market in 2021.

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 dedication, commitment and hard work that was put in which ensured the Company was steered effectively and managed to overcome economic and business challenges precipitated by the global COVID- 19 pandemic 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

Managing Director's Report

Ms. Hope Murera

The start of the widespread and global pandemic termed COVID-19 made the year 2020 the first of its kind in today's modern world. To date the uncertainty remains, with the pandemic impacting millions of people, including loss of lives and triggering a global economic recession. Our actions during this global crisis are essential to keeping the global economy going and will be remembered for years to come. We extend our sympathies to all who have lost loved ones and been impacted in anyway. As the Vaccine roll out continues, we look up to the future with optimism In a year of turmoil, businesses focused on survival and adapting to the changing times, while remaining committed to their vision.

We are grateful that ZEP-RE remained resilient in the face of this global health and economic challenge. Credit goes to our clients and key stakeholders across our regional markets who continued to support us through strong partnerships built over the years.
Our 2020 overall performance reflects the Company's strong capabilities in the face of a widespread crisis that impacted global economies. We face the current times with confidence and strength continuing with our commitment to help mitigate the challenges of the pandemic and improve resilience.

Results of Operations

We achieved positive earnings in 2020 with the Company recording a profit of US$17M. The impact of the high-risk operating landscape largely occasioned by the COVID pandemic put downward pressure on performance, with a 40% decline in profits compared with the same period in 2019. This was still a good performance in view of the marginal growth on top line, a high loss ratio and low investment yields experienced during a period that saw significant economic disruption across all our markets.

Underwriting operations

- The Company achieved a modest growth of 0.5% from US$ 207 million in 2019 to US$ 208 million in 2020, underpinned by a combination of factors, including the impact of local currency depreciation to the United States Dollar and a reduction in business shares as we focused on quality underwriting. The performance of the underlying markets was largely impacted by the slow economic activity because of the pandemic induced lockdowns. Some of the Key markets experienced significant local currency devaluations to the US Dollar, a factor that impacted on performance

- The period experienced an unfavorable claims environment impacting performance of the business and especially the treaty segment. This resulted to a deterioration in loss ratio to 65% largely due to the exceptional impact of non-renewing certain poor-performing treaties and new claims reported particularly from the property and casualty classes of business.

- Our cost structure remained efficient and aligned to supporting the Company strategy. The management expenses attributable to the underwriting business at US$ 8.2M, were a 36% decline from prior year reflecting some cost savings. This was largely informed by management action to seek more innovative ways to support the business through the Company's Technology infrastructure that enabled virtual engagement and technology driven service delivery.

- Following years of buoyant activity, COVID-19 induced challenges and the adverse claims experience hindered growth potential of our core markets. Furthermore, the Life business, whose performance in the past has been a steady growth both on topline and profitability, reported a decline in performance for the year 2020.The underwriting results closed the year under review at US$0.5 million profit. We remain focused on the highly profitable growth of facultative business which has the benefit of better control over pricing, terms and conditions.

- A commendable performance was achieved on the cash collections from outstanding premiums, a 21% improvement from previous year. Credit risk management on outstanding balances is a focus area for management whose efforts have been enhanced through various regulatory structures implemented by the Insurance Regulators.

Management has undertaken various initiatives that are expected to reflect excellent margins inherent in the risks we underwrite. Among these initiatives is Relationship-Based Underwriting. Our key account management initiative was a key driver of premium growth particularly, facultative business. Our Key Account Managers quickly pivoted and continued to engage their clients remotely, further strengthening our business relationships. We continue to enjoy a good brand name across the continent thanks to the efforts of our teams.

During the year 2020, we also undertook various market initiatives in partnership with our peers supported by the Insurance Regulators in the markets we operate in. These initiatives continue to enhance underwriting discipline, premium collections in addition to promoting the growth and development of the Industry and its players. We remain committed towards the development of the Insurance and Reinsurance Industry in our region in collaboration with our stakeholders.

Investment Operations

- The Investment income of US$12M achieved during the year was 57% below 2019 mainly due to decline in fair value gain from investment property. In previous year, the Company had reported a significant fair value gain of US$ 14.1 million majorly from the revaluation of the ZEP-RE Business Park property in Zambia.

- The decline in the interest income in 2020 by 9.0% from previous year was attributable to the United States Fed actions to cut interest rates in support of economic activity in response to challenges brought about by COVID-19. This led to lower repricing of both deposit and floating rate bond interest rates.

- The depreciation of most African currencies against the US Dollar further contributed to the decline in investment income for the local currency denominated investments.

- Rental income from the Company's three office buildings in Nairobi and Zimbabwe decreased by 6.1% as a result of rent waivers requested by and given to tenants to cushion them against the economic downturn arising from the pandemic as well as the exit of several tenants during the year.

Economic and Operating Environment

The year 2020 was difficult for most African countries, which represent the core markets of the Company. The Company suffered from the continued depreciation of most African currencies in which it writes business against the reporting currency, the US dollar.

Market Review

COMESA Region

In the COMESA region, the annual average GDP growth rate for the region declined from 3.76% in 2019 to -6.35% in 2020 on account of sharp declines from Libya (estimated to have contracted by 66.6% as the effects of the war in Tripoli were excavated by the pandemic and decline in oil prices), Mauritius and Seychelles that are estimated to contract by 14.2% and 13.8% respectively due to the impact of the pandemic on these tourism dependent countries. Of the 19 member countries, only Egypt, Ethiopia, Kenya, Malawi, and Rwanda posted growth in 2020.

The economic and operating environments in all our key double-down markets of Kenya, Uganda, Zimbabwe, Tanzania, Zambia, Sudan, Ethiopia, and Rwanda were affected by the global COVID-19 pandemic.

The pandemic which started in February 2020 brought several market disruptions in key market variables which led to decreases in interest rates, government spending in infrastructure projects, weakening currencies and a general decline in economic growth.

The Company had to revise its budget figure for 2020 slightly downwards. The Company reduced its territorial business scope from 60 countries in 2019 to 59 in 2020. The focus has been to continue to consolidate its position in the COMESA region where the Company increased its business contribution to 78% from 75% in 2019. Management has successfully implemented its managed exit strategy from India and during the year under review India's contribution to the overall business declined to 4% from 9% in 2019.

The Company's revenue streams in classes of property, engineering, marine, life and medical were adversely affected mainly due to the reduced economic activities in key markets. The general industry production capacity was reduced, and the Company experienced a general increase in claims frequency and severity across the key markets. Markets such as Uganda, were affected by climate change which continues to pose a considerable threat to the insurance industry, mainly in the form of floods. A detailed report on the economic and operating environments in our key markets is summarized below:

KENYA

The Company's main market is Kenya which continued to face challenges of premium rate undercutting and increase in the claims frequency and severity. The country's contribution to the overall gross premium income remained strong at 38% down from 40% in 2019. The poor economic conditions which saw GDP growth declining to 1% from 5.4% in 2019 and inflation slightly increasing to 5.3% from 5.2% in 2019 also affected the Company's premium growth which shrunk by 4% in 2020. Growth was also impacted by poor industry production capacity, weakening currency which saw the shilling depreciate by 7.5% to the dollar in 2020.
The Company expects the 2021 pricing environment in Kenya to be the strongest seen, since the large risks committee's disbandment 5 years ago. Property and Engineering rate increases are expected to average 15-25% in 2021. The Company also expects the life and health businesses which were affected by the pandemic to scale up and improve in 2021.

UGANDA

Uganda's economy was affected by the effects of the global COVID-19 pandemic which saw its GDP growth rate shrinking by 0.3% from a growth of 6.7% in 2019. Inflation was also high closing at 4.8% up from 4.2% in 2019. The Uganda shilling remained stable in 2020.

The Company realised a strong growth in gross premiums written which was underpinned by the regulators' strong enforcement of minimum rates and localisation rules. The market remained a key market for the Company and its contribution increased in 2020 which was mainly driven by the facultative business segment. The market was affected by an increase in fire and flood losses which impacted the tourism and hospitality industries.

The Company expects an improvement in performance in 2021 following further strengthening of the regulatory environment in areas of localisation, the implementation of the minimum rates and the cash and carry rules on premium payment. Uganda continues to be a well-regulated market.

TANZANIA

Tanzania held its successful elections in 2020. The economic performance was impacted by the effects of the pandemic and only grew by 1.9% down from 7% in 2019. The country's inflation and exchange rate remained stable closing at 3.6% (2019: 3.4%) and 2,300(2019: 2319, respectively.
The Company continued to benefit from the strong regulatory changes introduced in the Tanzania insurance market and these include the introduction of minimum rates, localisation of risks and the adoption of the cash and carry legislation on premium payment.The economy is expected to grow by 3.6% in 2021. With the current measures taken by the regulator to bring stability to the market, management are positive about the business opportunities in Tanzania in 2021.

ZIMBABWE

The Zimbabwe economy which is dominated by the small to medium size enterprises was heavily affected by the effects of the COVID-19 pandemic. The economic growth saw a further shrinkage in 2020 closing at 10.4% compared to 6.5% in 2019. The liberalisation of the exchange rate saw inflation spiking to 622.8% up from 255.6% and this was mainly fueled by the depreciation of the currency which moved from one to one to US$ 82 to the United States dollar. Despite the above challenges, the Company maintained its strong presence in the market by writing dollar denominated businesses. Zimbabwe was the Company's 3rd largest market in 2020 and a premium growth of 8% was recorded.

The challenges of macro-economic instability, lack of foreign funding, slow down in production capacity and poor energy supply continue to persist, and these remain key challenges for public and private sector development. The country expects a good agriculture season in 2021 and this coupled with improved mineral prices on the international markets is expected to drive economic growth to 4.2% in 2021.

SUDAN

The economy continues to face economic challenges despite the lifting of sanctions by the United States of America. The GDP continued to decline closing at a negative 8.3% from a negative 2.29% in 2019. Inflation continued to increase closing at 200% from 50.4% in 2019. The major challenge is the exchange rate which continued to cause market distortions in the pricing of goods and services.

The Company remains cognizant of Sudan's contribution to the Company's gross premium numbers despite the economic challenges facing the country. The country's contribution to the overall gross premium income increased marginally from 2019.

The major challenge for Sudan remains the performance of the medical and property account and this has been compounded by the lack of international loss adjusting firms to support the local capacity. Measures have been taken to support the market and the Company expects a better turn around in 2021.

In February 2021, the Central Bank of Sudan announced the liberalization of foreign currencies which has seen the Sudanese Pound depreciate against the United States Dollar by 582%. The depreciation is expected to have significant impact on the Company's performance in the Sudan market in 2021

ZAMBIA

The Zambian economy was affected by the shortage of power, weak mineral prices on the international market and the effects of the COVID-19 pandemic which made its international debt servicing poor. The country's economy shrunk by 4.8% compared to a growth of 1.4% in 2019. The Zambian kwacha significantly depreciated by 50.3% to the United States Dollar in 2020. Inflation was also high closing at 14.5% compared to 9.8% in 2019.

Zambia was the Company's 6th largest market in 2020. However, the market's contribution declined compared to 2019 with a negative premium growth of 36%.

The main challenges facing the market are undercutting of rates, liquidity, and externalisation of risks. The economy is expected to return to growth in 2021 and Bloomberg Standard Bank Research expects the Zambia economy to grow by 0.6%. Management believes that the new Insurance Bill which is currently under consideration will help stabilise the insurance industry in Zambia.

INDIA

The Company took a deliberate decision to persue a managed and orderly exit/reduction of its exposure from the Indian insurance market and Management are happy that the process is going on smoothly. India was the Company's 2nd biggest market in 2019 and because of the implementation of the new strategy the country is now the Company's 7th biggest market. The country's contribution to the Company's premiums was down to 4.72% compared to 9.2% in 2019.

The market, which was characterized by soft pricing, increased risk of catastrophe exposures, reduced underwriting margins and stiff competition is now on a rebound with underlying pricing increasing by over 15%. India remains a highly competitive market and management prefer to continue monitoring the market over the medium term.

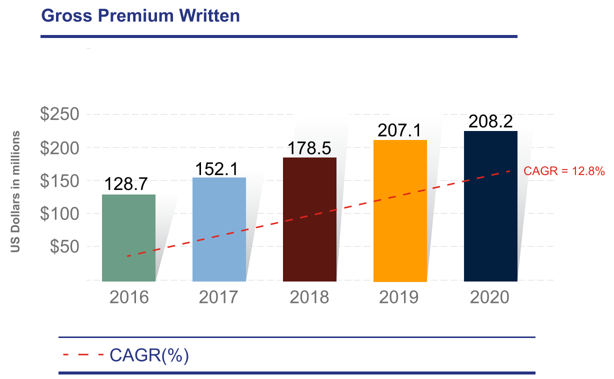
ETHIOPIA

Like other economies, the Ethiopia economy was affected by the effects of the COVID-19 pandemic. The economy grew by 1.9% compared to 9% in 2019. Inflation and the exchange rate worsened closing at 20.2% and 38.7 in 2020 compared to 15.8% and 32 in 2019, respectively. The reinsurance market remains low because of the high compulsory cessions enjoyed by the local reinsurer, Ethiopia Re, which currently stands at 5% policy cessions and 25% treaty cessions. Despite these restrictions on business growth, Ethiopia continues to be an important market for the Company and its contribution to the overall premium was strong at 3.9% up from 3.3% in 2019.
The Company has now been classified as a local reinsurer and is expected to benefit from strong localisation rules which require the exhaustion of local capacity, prior to externalization of risks to foreign markets.

Financial Performance Analysis

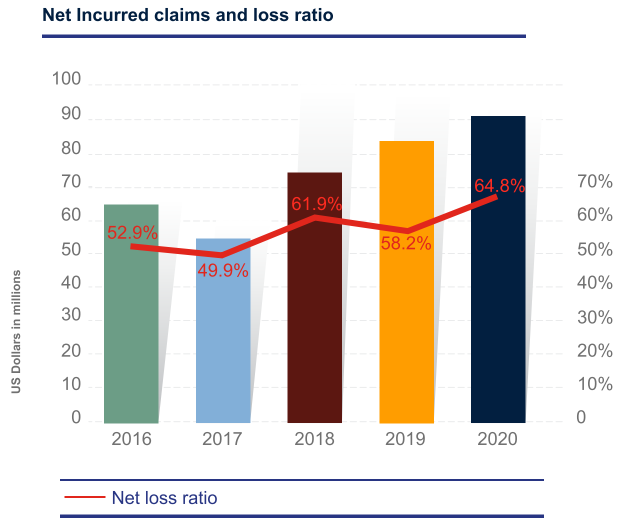
GROSS PREMIUM INCOME

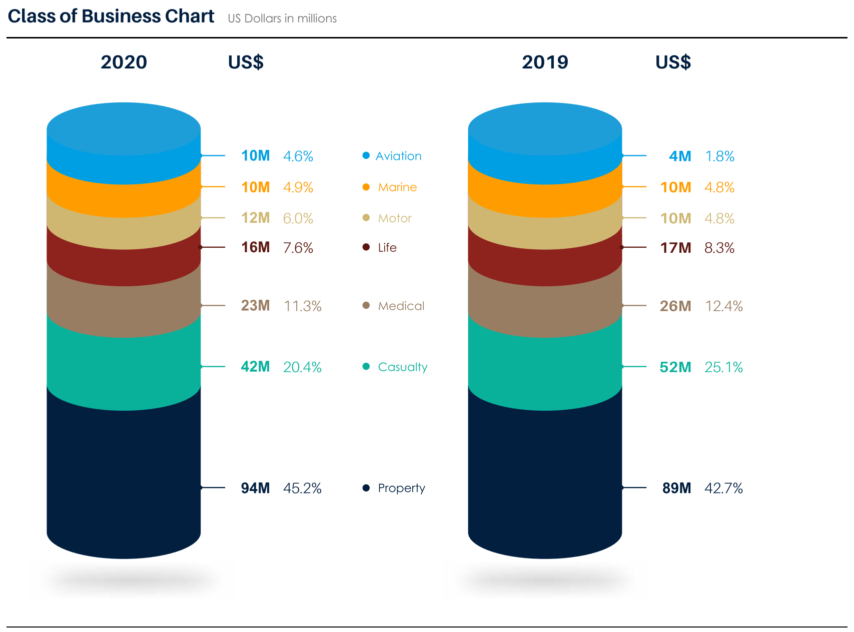
Gross premium income rose by 0.5% from US$ 207.1 million in 2019 to US$ 208.2 million in 2020. The growth was in spite of a slow-down in most African economies arising from the global COVID-19 pandemic.

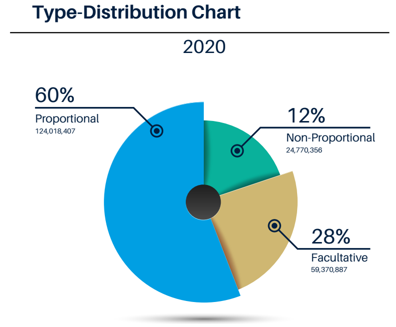


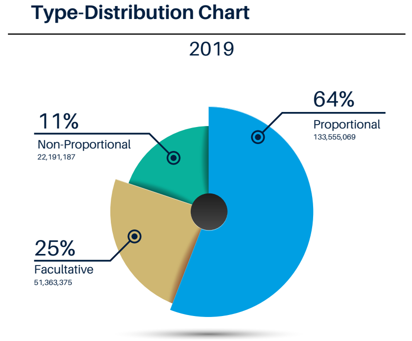
NET INCURRED CLAIMS

Net claims incurred in 2020 amounted to US$ 90.1 million compared to US$ 83.4 million in 2019. The actual net claims loss ratio for the year ended 31 December 2020 was 64.8% compared to 58.2% in 2019. The Company's outstanding claims' reserves decreased marginally to US$ 94.1 million in 2020 from



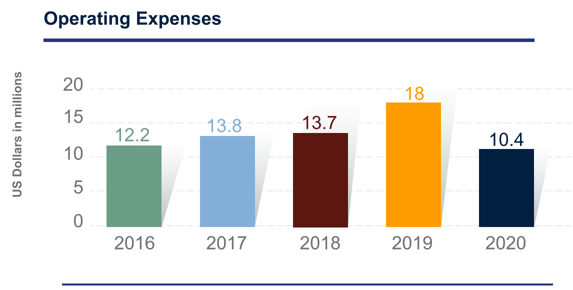






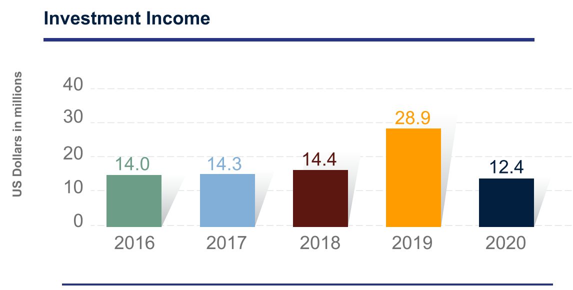
OPERATING & OTHER EXPENSES

Operating & Other expenses in 2020 amounted to US$ 10.4 million compared to US$ 18.0 million in 2019, a 41.8% decrease mainly due to decline in both staff expenses and provision for bad debts.



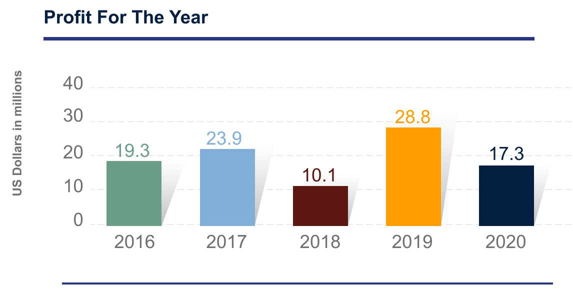
INVESTMENT INCOME

The investment income and other income decreased from US$ 28.9 million in 2019 to US$ 12.4 million in 2020, a decrease of 57.2% mainly attributable to significant fair value gain on investment property of US$ 14.1 million reported in previous year.



PROFIT FOR THE YEAR

The Company achieved a profit of US$17.3 million in 2020 compared to US$28.8 million in 2019. The decrease in profitability is attributable to subdued premium growth, deterioration in loss experience, local currency depreciation against the United States Dollar and decline in investment income.

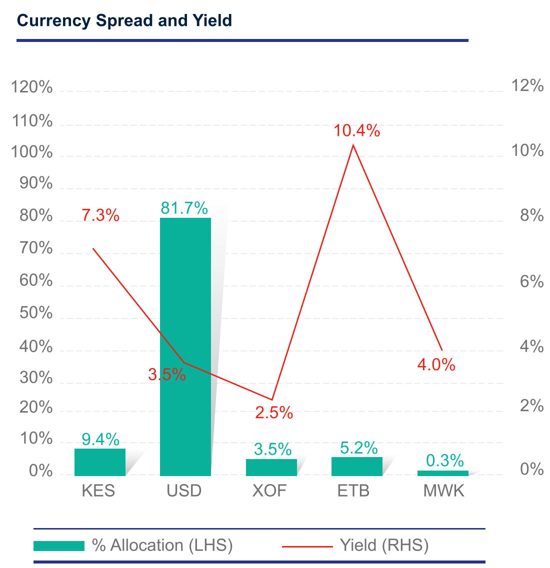


INVESTMENT PORTFOLIO

The investment portfolio value increased from US$336.6 million as at 31 December 2019 to US$349.8 million as at 31 December 2020, an increase of 3.9% driven by reinvestment of investment income, fair value gains on investments in affiliates as well as new investment from cash collections. The increase was in spite of the unrealized fair value losses on the available for sale equities and investment properties.

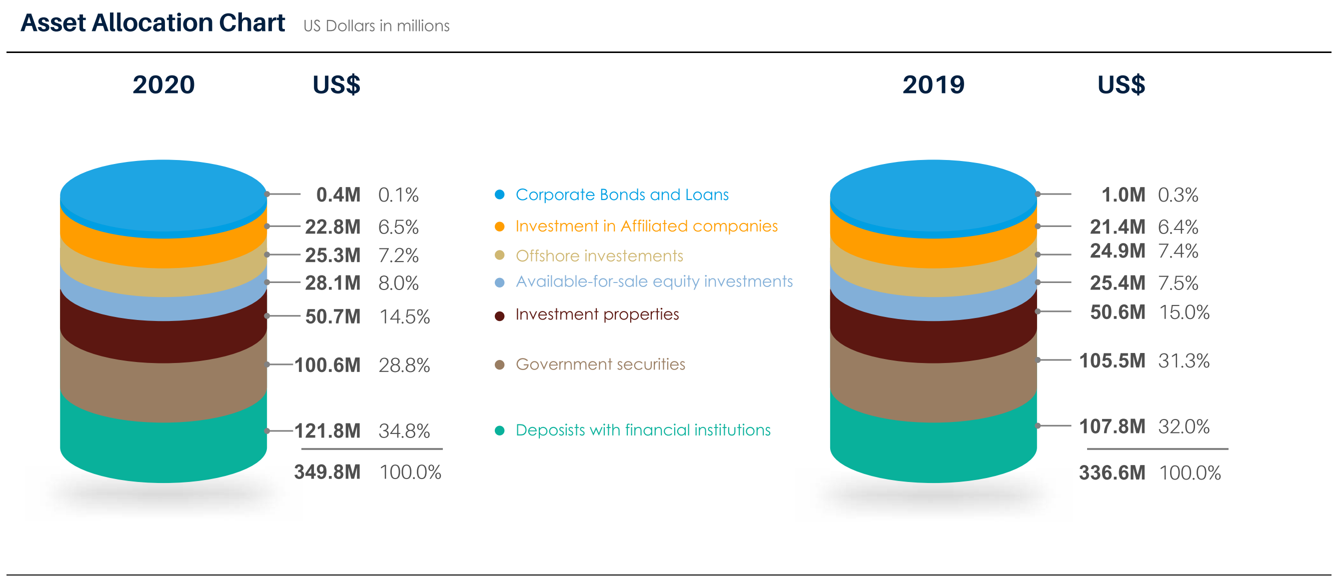
Currency Exposure of the Investment Portfolio

US Dollar denominated assets represent 81.7% of the investment portfolio with 9.4% invested in Kenya Shillings, 5.2% in Ethiopian Birr and 3.5% West African Francs. 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.



Asset allocation

Deposits with Financial Institutions and investments in Government Securities continue to dominate the investment portfolio with a combined exposure at 67.7% of the entire portfolio as at 31 December 2020. Investments in Regional and in the wider Sub-Saharan equities were increased during the year 2020 as part of rebalancing activities undertaken to enhance long term investment returns.

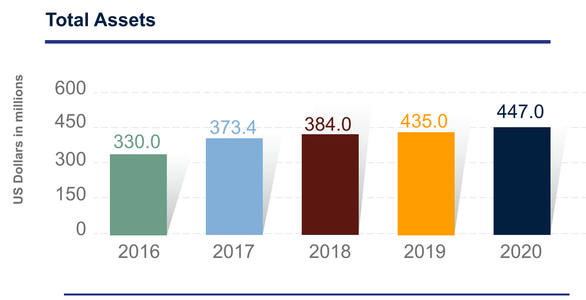


Liquidity

Adequate liquid assets are held to support payments obligations. As of 31 December 2020, money market and fixed income instruments maturing within one year were valued at US$ 122.3 million (2019 - US$ 131.1 million). Given that the average per annum claims paid during the five-year period to 31 December 2020 was US$ 78.8 million, the liquid funds are more than adequate to cater for the claims obligations.

TOTAL ASSETS

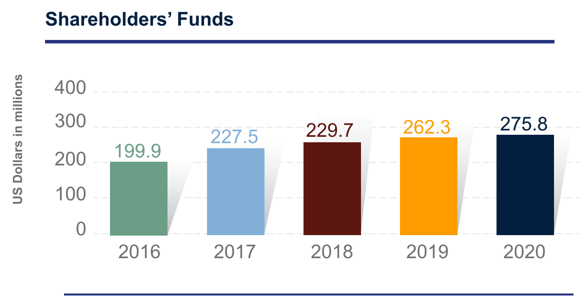
The Company's asset base grew by 2.8% from US$435.0 million in 2019 to US$ 447.0 million as at 31 December 2020. This growth is mainly attributable to increase in the investment portfolio by US$ 13.2 million (3.9%).



SHAREHOLDERS' FUNDS

The shareholders' funds increased by 5.1% from US$ 262.3 million in 2019 to US$ 275.8 million as at 31 December 2020. The increase of US$ 13.4 million in shareholders' funds is attributable to:

- Profit for the year of US$ 17.3 million;
- Unrealized fair value gains of US$ 1.4 million on investments with affiliates; The increase was however curtailed by the fair value loss of US$ 5.3 million on equity and offshore investments.

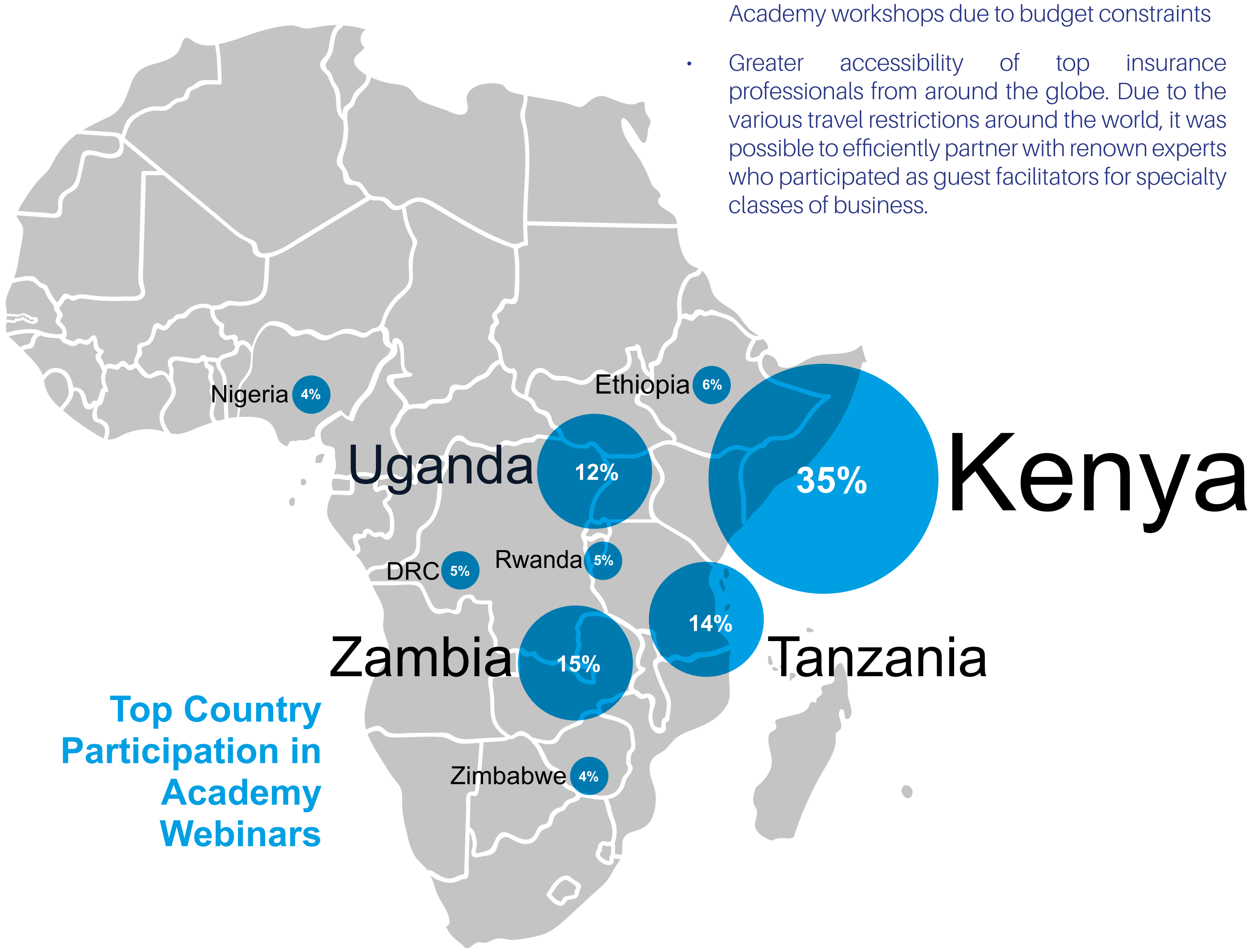


The Zep-Re Academy

In line with the Company's founding mandate, ZEP-RE is required to facilitate the training of insurance and reinsurance industry personnel and provide technical assistance to insurance and reinsurance institutions within 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, and is widening its reach in the region by expanding the number of countries in which it provides training and frequency of courses

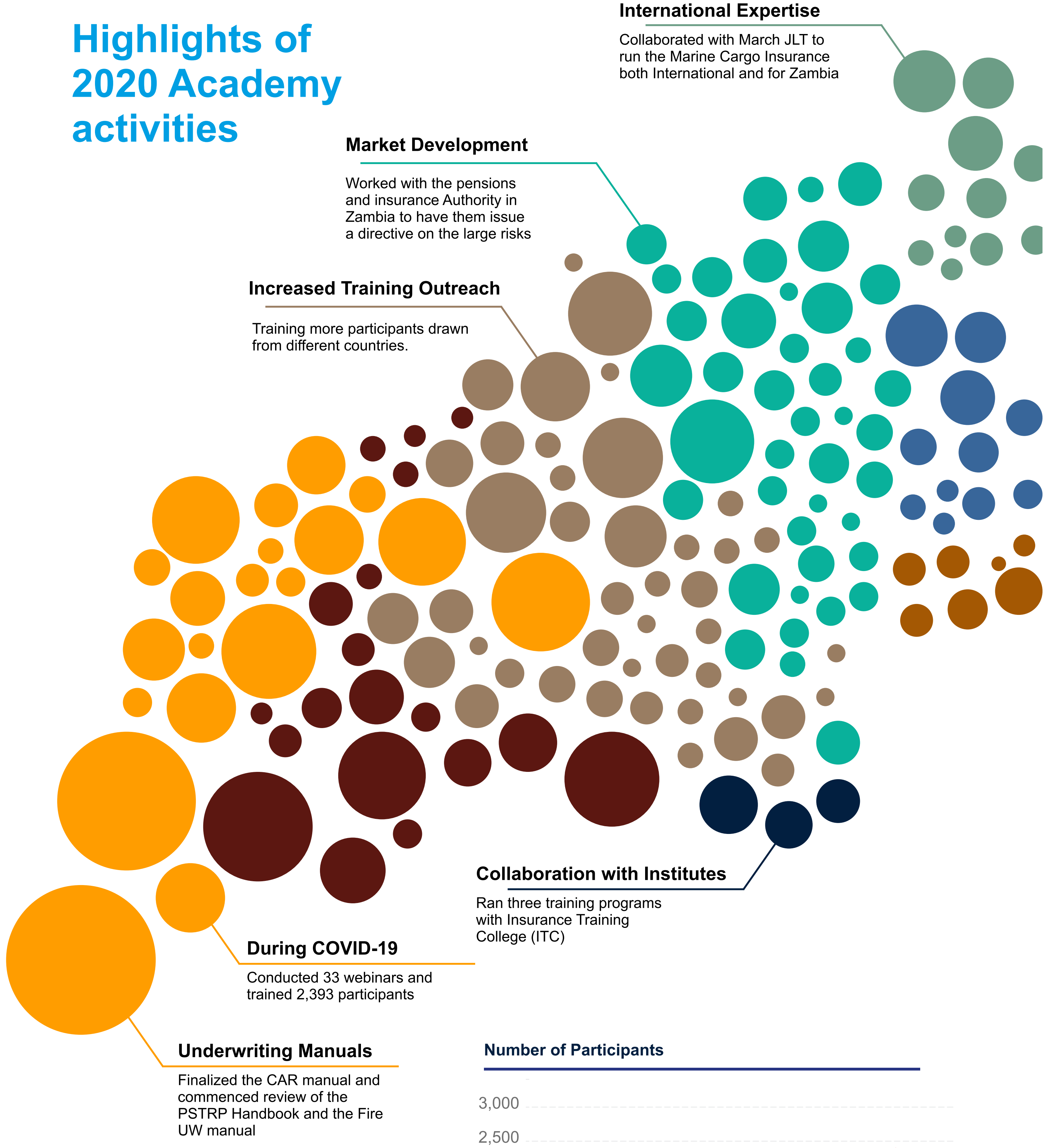
In 2020, the ZEP-RE Academy made the following key achievements:

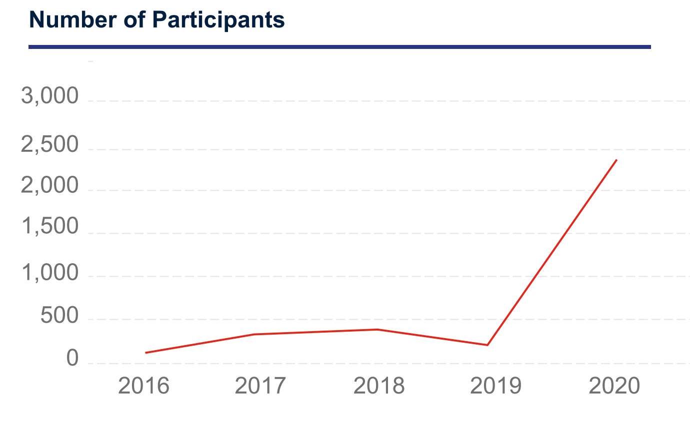
- Due to the lockdowns, the Academy changed its strategy and capitalized on delivering online trainings, including webinars. This presented unprecedented growth and success for the Academy. Before the global COVID 19 pandemic three training programs had been conducted in-person.
- Held a total of 33 international and regional webinars and provided in-house training for clients.
- Trained and certified 2,393 participants from 37 countries in Africa and beyond.
- The use of webinars to conduct the trainings allowed the Academy to have a much larger geographic scope since participants could sign up and attend the webinars from anywhere provided, they had good internet connectivity. The broad reach enabled the Academy to train clients and participants whom, under normal circumstances, would have been unable to attend Academy workshops due to budget constraints
- Greater accessibility of top insurance professionals from around the globe. Due to the various travel restrictions around the world, it was possible to efficiently partner with renown experts who participated as guest facilitators for specialty classes of business.



Top Country Participation in Academy Webinars

Highlights of 2020 Academy activities





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 enable in the expansion of access to insurance services. Technology presents three opportunities to the industry:

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

ZEP-RE undertook activities in 2020 aimed at helping the industry achieve these objectives. These include:

a) Advocating for technology adoption

The global Covid-19 pandemic accelerated the need for digitization of the insurance industry including the reimaging of the operating model by using technology as an enabler.

In light of this, in August 2020, ZEP-RE Academy hosted a CEO webinar in partnership with McKinsey titled "Covid-19 Impact in the Insurance Industry – Charting the Return". Among other topics, the presenters covered "Digital First strategy for customer experience", "Strengthening Cybersecurity", "Developing an ecosystem approach through partnerships". Discussion followed on how the industry was responding to the challenges through technology. At the end, CEOs were better informed on how technology was being used in other territories to survive the impact and uncertainties posed by Covid-19.

As further highlighted here below, in September 2020, ZEP-RE hosted the Annual Insurance Regulators Forum. As part of the conference, regulators were taken through studies of how technology could improve their internal regulatory function, as well as the industry in general. A case study of Acre Africa was presented, showing use of technology in expanding agriculture insurance coverage. The Guest speaker was Insurtech expert Professor Bitange Ndemo.

b) Partnerships in Industry

In 2019 ZEP-RE joined the steering committee of the Blockchain Initiative by African Reinsurers Association (ARA). The initiative seeks to create a platform for managing contracts between insurance industry players. Building on this, in 2020, further work was carried out covering two topics – best ownership model and assessment of potential partners. From these engagements, a presentation was made to all members of ARA by B3i which is a leading organization in this space, covering its use on Cat Covers. ZEP-RE will continue advocating for similar market collaborations in Africa, as the gains will be beneficial to the entire industry.

c) Insurtech Investments

In late 2020, ZEP-RE announced an investment in Acre Africa. Acre Africa plays in the Agriculture insurance space as an Insurtech. It is anticipated that the technologies will become available to support the financial inclusion agenda through more cost-effective delivery channels.

Above: ZEP-RE CEO, Hope Murera and ACRE Africa Limited Managing Director, George Kuria during the signing of the agreement on 1st December 2020 at ZEP-RE headquarters in Nairobi, Kenya

Looking Ahead

ZEP-RE acknowledges the role that industry performance plays in the strategy and business performance of the Company. With technology as a major enabler of better performance, the Company will continue advocacy through the ZEP-RE Academy webinars for adoption of technology in the industry. The Company will also continue exploring emerging technologies for partnership and emerging Insurtechs for investments.

Development Mandate

Annual Strategic forum with Regulators of the East Africa Insurance market (Kenya, Rwanda, Uganda Burundi and Tanzania (September 1-2 & 8-9, 2020)

With a view to spurring growth & change within insurance & reinsurance markets and sustainable long-term partnerships, regulatory engagement remains crucial to the Company's business and stakeholder engagement strategy.

This is critical to the continued evolution & implementation of the Company's mandate, as such engagements provide an experience sharing platform as well as insights as to how best insurance, reinsurance and regulation can work hand in hand to accelerate development of insurance & reinsurance markets that contribute to a country's economic development and engineer mutually agreed change to ensure that proper and functional insurance markets are in place.

The Forum in 2020 focused on key challenges within the EA insurance markets, and the impact as well as the uncertainty posed by COVID 19 to insurance markets & their relevance.

In terms of major industry challenges on pricing, underwriting of catastrophic risks (CAT) and exhaustion of local capacity, the Regulators agreed to continue to give this priority and support the company's initiatives within core markets. With respect to pricing, these include working with markets on appropriate pricing and actuarial support. On CAT and in collaboration with Regulators within the five (05) EA insurance markets; a data collation & analysis project is in place and the findings will inform medium – long term actions that will be undertaken.

Utilization of local capacity initiatives include the implementation of local rules and regulations in place and sharing of risks prior to externalization. In order to address the uncertainty and challenges posed by the pandemic, the forum working in concert with African Reinsurance Solutions AON agreed to examine the establishment of an EAC pandemic pool and necessary actions are underway.

Additionally, in view of the unprecedented changes brought about by the global pandemic; for the benefit of the low to middle income African population, the meeting decided that increased attention is given to microinsurance as well as the use of technology to ease access to insurance and that national agriculture insurance initiatives are boosted within economies. In the case of Agriculture insurance, cognizance was also given to the fact that Agriculture is a key component of most economies within Africa and supporting agriculture insurance addresses critical global aspects of food security and risks posed by climate change. ZEP- RE continues to support national agriculture insurance schemes & initiatives in its core markets.

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.

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).

Number of Farmers Insured

	Government	Season	No. of Farmers Insured	Claims (ZMW)
1	FISP / MOA	2020 / 2021	620,317	8,888,041
2	FISP / MOA	2019 / 2020	863,082	27,594,922
3	FISP / MOA	2018 / 2019	998,406	96,079,312
4	FISP / MOA	2017 / 2018	900,297	58,141,176
Total				**190,703,451**

Agriculture plays an important role in Zambia with the sector providing employment for approximately 70% of the labor force in Zambia. It is estimated that approximately 3 million small-scale farms characterize the sector. Under the FISP, the government distributes subsidized agricultural inputs to small-scale producers of the staple food crop, maize. The government also provides a guaranteed minimum price at which the Food Reserve Agency (FRA) buys maize, cassava and sorghum from farmers. ZEP-RE has been at the forefront of supporting the FISP programme by providing capacity support as reinsurer and offering monitoring services for the scheme. Over the last four farming seasons, ZEP- RE has covered over 3 million small scale farmers and paid out more than US$14m in claims.

Future Pandemic mitigation solutions

The sheer scale of Covid19 pandemic and its impact on health costs and business interruption losses resulting therefrom has demonstrated the fact that the private sector on its own is unable to offer protection against the harmful effects of pandemic risk. Consequently, the Company is working with COMESA Secretariat with the goal of creating a regional pandemic risk pool whose key goals are to create technical and financial capacity to manage future epidemics and pandemics, provide solutions through products and services that will help the Member States manage the future risks appropriately and assist countries of the region to monitor epidemics and pandemic risks and share data and information on the past, present and potential future threats.

The project is currently at formative stages with countries and stakeholders being engaged for their feedback before relevant studies and proposals on the appropriate structures are submitted for consideration by the policy organs.

COMESA Yellow Card Scheme

The COMESA Yellow Card Reinsurance Pool, is 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 Scheme is currently operational in twelve countries including Burundi, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. It is also widely used by non–COMESA motorists particularly from SADC countries visiting or transiting through the COMESA member countries. To support adoption outside COMESA, agency agreements have been established in South Africa and Mozambique and currently discussions are underway to expand the use in Angola.

Over 180 insurance companies in the COMESA region are involved in the issuance of Yellow Cards and operations of the scheme. 208,619 Yellow Cards were issued and a total premium of US$12,320,504.35 was realised during 2019/2020 period. Over 759 claims were processed during the period for accident victims and US$ 1.397 million paid out as claims.

In order to boost its operations and built capacity, enhance efficiency and profitability of the participating Insurance Companies, the Scheme has a Re-insurance Pool managed by ZEP-RE. The asset base of the Pool stood at over US$16.6 million in 2020.

Regional Customs Transit Guarantee Scheme

The COMESA Regional Customs Transit Guarantee (RCTG-CARNET) Scheme is a component of the COMESA Protocol on Transit Trade and Transit Facilitation, Annex I of COMESA Treaty. The objective of the RCTG scheme is to provide a uniform basis for transit movement throughout the region, where only one guarantee is used for the transit of goods through all transiting Member States. Currently, the Scheme is fully operational in the Northern and Central corridors with the following countries actively participating in the scheme, Burundi, Kenya, Rwanda, Tanzania Uganda. The Djibouti/Ethiopia corridor is meant to commence operations in 2021.

During the last 3 years a total of 1,900 RCTG bonds have been executed valued at over USD 1.6 billion. The Scheme has over 45 primary sureties involved and over 740 clearing agents. The RCTG Reinsurance Pool, managed by ZEP-RE had assets worth USD 1.5 million as at 31st December 2019.

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 is 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 the level of risks associated with its balance sheet, for example, financial, reserving and pricing risks.

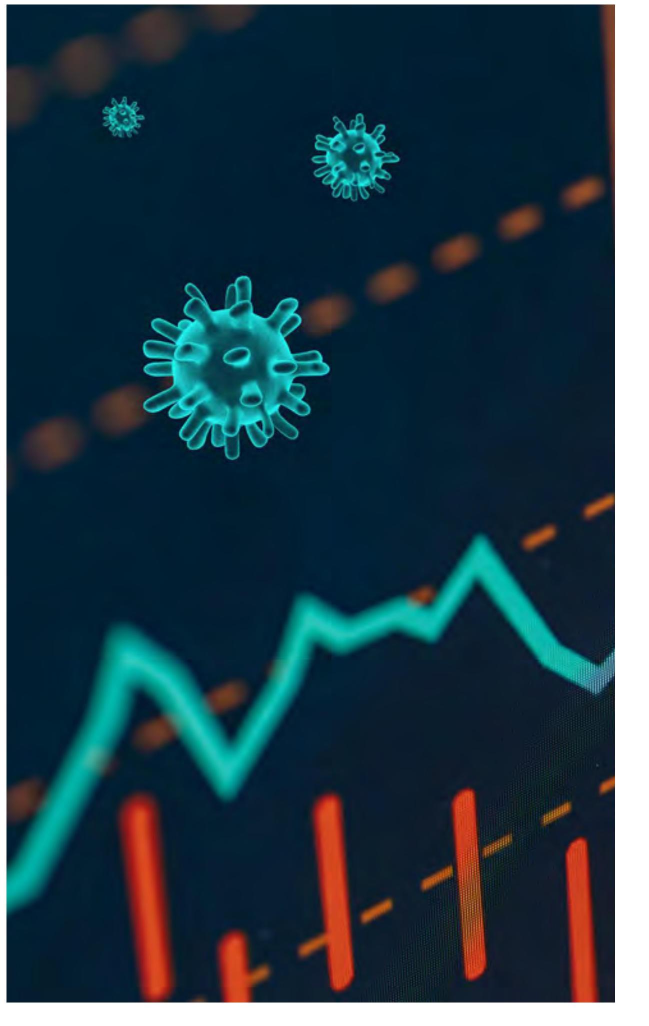
Furthermore, ZEP RE's risk appetite objective for its capital management seeks to ensure that the Company is able to continue in operation following the occurrence of extreme adverse losses arising from its operations in any given year. As per the criteria of A.M. Best, ZEP RE is required to maintain 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 2020, 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

In October 2020, A.M. Best affirmed the Company's financial strength rating of B++ and the issuer credit rating of 'bbb'. The outlooks on both rating remained stable. GCR also affirmed ZEP-RE's national scale financial strength rating of AAA with a stable outlook in November 2020. 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.



According to GCR, the key factors underpinning ZEP-RE's rating outcome, included the Company's strong financial profile, market competitiveness and preferential treatment within the COMESA region. Despite the earnings pressure brought about by the COVID-19 pandemic, through flat premium growth and lower investment yields, the agency expects cross cycle earnings to be supported by operational cost savings and reduced exposure to underwriting markets over the next 12 to 18 months.

Corporate Social Responsibility (CSR)

In 2020, 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. Girl Child initiatives

ZEP-RE continued to support its flagship CSR projects – Gashora Girls Academy in Rwanda that provides quality education to orphaned girls and the Global Give Back Circle (GGBC), both focusing on the education and mentorship of girls. During the year, one of the GGBC scholars Miriam Mueni, who is currently employed at ZEP-RE in our Investments department won the prestigious Rhodes Scholarship and will be joining Oxford University for her master's degree in September 2021. As an organisation, this win was the icing on our CSR cake, seeing what can be achieved when we consistently support the education of a girl child from a vulnerable community. Our other scholars have gone on to graduate from university and are doing exploits for their communities all over Kenya, while those from Gashora girls have joined universities in America, Rwanda, and Ghana.

2. Mentorship Programme

In 2020, ZEP-RE engaged in a one-of-a-kind internal CSR where it enrolled its female staff members in a 6-month mentorship programme through the Girls4Girls Initiative. Through this programme, the ladies learnt about leadership, communication skills, ethics, and values, etc. These lessons have ignited in them the spirit of giving back to society, skills that will be useful within and outside the organisation, especially at a time where the ZEP-RE management is promoting a coaching and mentorship culture.

3. Others

Throughout the year, ZEP-RE continued to support various professional organisations such as the Association of Kenya Reinsurers, Insurance Institute of Kenya, Institute of Certified Public Accountants of Kenya, OESAI, Strathmore Business School, and at the launch of "The Power of Parity: Advancing women's equality in Africa" report by McKinsey.

Giving back to our Communities

Shining Hope for Communities (SHOFCO) – In 2020, ZEP-RE donated funds to the organization which is based in the Nairobi slums of Kibera and Mathare and works to address the needs of vulnerable communities by providing critical services, operating community advocacy platforms, and building female leadership to create lasting change.

SHOFCO was on the forefront in response to the COVID-19 epidemic and continues to provide clean drinking water, hand washing facilities, sanitizers, and masks to the residents of Kibera. Kibera is said to be the largest slum in Africa and as such, the community was at high risk of contracting the disease.

Above are some of the ZEP-RE staff who participated in the handover of the cheque to the organization

Kibagare Way Residents Association – we helped reach out to the Kibagare Slums community members who had lost their sources of livelihood because of the COVID-19 pandemic. The residents' association came up with an initiative to offer food hampers to 1,000 families, and ZEP-RE is delighted to have participated in this programme that ensured that no family slept hungry during the pandemic, particularly in the earlier months, as the world figured out what to do.

Our People

Despite the 2020 being interrupted by the COVID-19 pandemic, the Company still achieved the targeted skills development initiative for staff and continued to offer professional services to meet the needs of the market. In 2020, the Company operated online training and development initiatives mainly driven by the ZEP-RE Academy. Critical disciplines undertaken in the 2020 training calendar included Key Account Management 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 2020, the Company's Young Professional Program (YPP) sourced and trained 4 young professionals from Kenya, Zambia, Zimbabwe, and Ethiopia in the fields of Underwriting, Legal, Accounting and Actuarial Sciences.

2021 Outlook

Growth in the Sub-Saharan region is projected to recover to 3.2% in 2021 as most economies are expected to rebound. Most governments are unlikely to reimpose public health restrictions again in 2021 should vaccines halt the rise in new infections. However, aside from the risk that the vaccines may not work, especially with new viral variants emerging around the world, logistical and timing complications around inoculation too could foster further uncertainty. In the region's largest economies (Angola, Nigeria, South Africa), real GDP is projected to return to pre-crisis levels only by 2023 or 2024. Many countries, particularly low-income developing economies, entered the crisis with high debt that is set to rise further during the pandemic. The global community is working closely to ensure adequate access to international liquidity for these countries. Where sovereign debt is unsustainable, eligible countries are working with creditors to restructure their debt under the Common Framework agreed by the G20.

The African Continental Free Trade Area (AfCFTA) was operationalized in January 2021. Zambia became the 36th country to deposit their instrument of ratification at the 34th African Union (AU) summit held on 3rd February 2021 in Addis Ababa, Ethiopia. While there is a palpable sense of excitement about the AfCFTA, fiscal pressures are likely to arise from the removal of non-tariff barriers and from expenditure to boost infrastructure. This will likely cloud the longer-term benefits associated with increased trade from such an agreement.

In this regard, as of February 2021, S&P Global Ratings has downgraded Kenya's long-term foreign and local currency sovereign credit rating to 'B' from 'B+' because of higher expected fiscal deficits, which are likely to be financed by increasing debt. Similarly, Ethiopia become the second African government to adopt the G20's Common Framework for Debt Treatment. This framework goes beyond the World Bank's Debt Service Suspension Initiative (DSSI) as it includes the broad participation of private sector creditors therein indicating signs of a possible downgrade by rating agencies in the near term.

It is expected that most of the African currencies will appreciate against the United States Dollar and that the negative impact will be less in 2021, at least for the Kenyan Shilling and Zambian Kwacha which depreciated severely in 2020. With stable exchange rates, Management expects that the premium income will regain some growth in US dollar terms.

Gratitude

In a year that saw an unprecedented global pandemic, we are grateful to have come this far and not only survived but remained a resilient people and company.

I thank you most sincerely for the trust that you our shareholders, partners, clients place in us each and every day. I appreciate your continued support and loyalty.

My appreciation and gratitude to the management team and staff whose dedication to their daily efforts collectively generate value for our stakeholders.

My special thanks go to 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. In the midst of this, we found an opportunity that allowed us to adapt quickly to the rapidly changing environment and as a result strengthened us to face future challenges with a better perspective.

Looking ahead, we will continue to strengthen our brand while fulfilling our mandate to deliver our value proposition.

Thank you.
Hope Murera
Managing Director, ZEP-RE

OUR CONTROL ENVIRONMENT

Our Enterprise Risk Management (ERM) Framework

A comprehensive Enterprise Risk Management framework is an essential prerequisite for supporting the achievement of ZEP RE's strategic objectives.
The framework facilitates decision-making across the organisation that is consistent with our Board-approved risk appetite objectives.
We seek to ensure the long-term profitability and financial strength of our organisation by employing a robust and comprehensive risk management system, that is closely linked with the process of accepting risks.

This requires that responsible persons identify, analyze and measure the level of profitability and risks associated with a business opportunity, whilst measuring, monitoring and reporting on the amount and use of, as well as return on, capital allocated to this opportunity.

The Enterprise Risk Management system supports the company's ability to effectively deal with future uncertainties, thereby reducing the downside implications, whilst allowing for opportunity to cease on upside potential, allowing for sustainable value-creation for our shareholders and the safeguarding of our policyholders.

Roles and Responsibilities

At the heart of any good risk management system, is the governance that underpins it. ZEP RE employs a 'three lines of defence' model in executing its risk management. This comprises:

• The business functions **(the first line)** – where both staff and line management actively control business risks undertaken through day-to-day decisions made within their roles.

• The oversight function **(the second line)** – where the risk and compliance (and other related) functions validate the integrity and effectiveness of the company's risk management systems and oversee the decisions of the business functions, ensuring that the company's risk appetite objective remain intact

• The assurance line **(the third line)** – which consists of the internal and external audit function that are mandated with the responsibility of providing independent assurance on the validity and effectiveness of the company's risk management systems.

Although Executive Management are not directly involved within the lines of defence, they play a key role as the primary stakeholders serviced by the three lines of defence, given their responsibility for the operations of the three lines of defence model.

The Chief Risk officer leads the company's risk management function and is tasked with the responsibility for the overall leadership and co-ordination of the risk management function.

A Risk Management Steering Committee meet periodically to discuss the management of all of the company's material risks. The committee consists of the heads of all business functions and is headed by the Chief Risk officer. All outcomes are reported to Executive Management and the Board.

The Risk and Audit Committee, which meet quarterly, supervises the adequacy and effectiveness of ZEP RE's risk management capabilities and monitor the risk profile of the company; whilst the Supervisory Board has ultimate control over the company's risk management framework, monitoring the risk profile and capital adequacy of the company and ensuring that risks are being taken within the risk-appetite objectives, as approved.

The Risk Management Framework

The risk management activity of the company incorporates all aspect of risk management, but with specific regards to drivers that can materially impair ZEP RE's strategic objectives.

In the process of establishing the objectives of the company over the strategic period, Management defines the risks underpinning the strategy and the amount and type of risk that it is willing to take in order to achieve its targets. The impact of these events on the company's objectives is assessed and measures taken to manage the risks are defined.

To define the events underpinning the company's strategic objectives, identified risks are classified and measured through the use of risk registers, which evaluates the likely impact and the probability of occurrence of the event. This analysis serves as a basis for Management to consider the risk management approach to utilise, i.e. to accept, mitigate, transfer or avoid, for the purpose of minimizing the potential exposure. From this point onwards, the risks are monitored and controlled, with reporting to the various stakeholders of the company.

Our Enterprise Risk Management (ERM) Framework

The risk appetite statement defines the key indicators for each material risk, as well as their target and threshold values. Of significance is the capital adequacy ratio, defined within ZEP RE's capital management framework, which defines the target range and tolerances, amongst other things, and is detailed in the internal document regulating the company's capital management. The monitoring of ZEP RE's capital adequacy position, in relation to the organisation's risk appetite, is an ongoing process, which considers changes in the business decisions that impact the company's risk profile and profitability.

The Risk Management Function regularly evaluates the ZEP RE's risk profile relative to the Board-approved risk appetite objectives and communicates breaches to Management, the Risk and Audit Committee and the Supervisory Board. An essential aspect within ZEP RE's risk management framework is the establishment of an appropriate risk culture across the organisation. This is based on knowledge, cooperation and open communication about the company's risks, with the supervisory Board tasked with setting the tone of the company's risk appetite and Executive Management driving the message across the organisation.

Risk Types

Defining ZEP RE's risk appetite requires the identification of the main risks to which the company is exposed to, as it executes its strategy. The following risk classification are used for internal risk monitoring purposes:

1. Reinsurance Risk, which consists of:

• Underwriting/Pricing Risk – Risk of loss due to inappropriate selection or approval of inwards business acceptances and from fluctuations in timing, frequency & severity of insured events, relative to expectations at the time of underwriting/ pricing.

• Reserving Risk – Risk of loss due to current reserve provisions being underestimated and hence insufficient to cover their run-off.

• Catastrophe Risk – Risk of loss arising due to a single event or series of events, of major magnitude, usually over a short period, leads to a significant deviation in actual claims from the total expected claims.

2. Financial Risk, which consists of:

• Market Risk - Risk of loss arising from changes in the market value of assets relative to liabilities, due to adverse financial scenarios. Market risks covers interest rates risk, currency risk, equity risk, credit spread risk, property risk and concentration risk.
• Credit Risk – Risk of loss arising due to the failure of a counterparty to meet its obligations in terms of timing, quality and quantity, either in part of wholly, or due to the inability or unwillingness to meet its obligations.

• Liquidity Risk - Risk of loss due to the proceeds of financial assets being insufficient to fund the obligations of the reinsurance business and other short-term maturing obligations.

3. Operational Risk - Risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events and their impact.

4. Regulatory and Compliance Risk - Risk of loss arising from failure to comply with existing local, regional or international laws or regulatory policies. This also includes unexpected changes to existing policies or the development, administration and enforcement of regulations in markets where Zep-Re operates.

5. Governance Risk - Risk of loss arising from the system by which ZEP RE is directed and controlled and the distribution of rights and responsibilities among different participants in the company (such as the general assembly the board of directors, managers, shareholders, creditors, auditors and regulators).

6. Strategic and Business Risk - Risk of loss due to adverse business decisions, improper implementation of adopted strategic decisions and insufficient responsiveness to changes in the business environment Strategic and business risk include reputational risk and risk of credit rating downgrade.

CORPORATE GOVERNANCE REPORT

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 UK Corporate Governance Code, the Common Wealth Association for Corporate Governance (CACG) Guidelines: Principles for Corporate Governance in the Commonwealth, King IV Code of Corporate Governance, the Kenya Code of Best Practice for Corporate Governance.

With the objective of enhancing corporate governance in line with best practice; following approval by the Board, the Company is further implementing recommendations of the Corporate Governance Assessment undertaken in March 2019 by Nestor Advisers (a Global leader based in the United Kingdom in providing corporate governance advisory services).

Governance Structure

ZEP-RE is a limited liability company governed by the Agreement establishing the Company, a multi-lateral 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 distribution of 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 carried out 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.

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.

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 2020 included approval of the 2019 financial statements, implementation of the IB strategy plan, a review of operational performance in 2020, approval of the 2021 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 annual performance.

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 Risk & Audit Committee, the 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.

Risk and Audit Committee

The Committee comprises of Simon Chikumbu (Chairman), Ewan Wheeler, Daher Robleh Warsama, Christabel Banda, Chileshe Mpundu Kapwepwe and Chiboli Induli Shakaba.

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 Risk and Audit Committee held three (03) meetings in 2020.

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

Strategy and Investments Committee

The Committee comprises of Jan Gross (Chairman), Hope Murera (Managing Director), Tadesse Admassu, Ewan Wheeler, Simon Chikumbu and Rehema Namutebi (Alternate Director).

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 Strategy and Investments Committee held four (04) meetings in 2020

Nominations, Remuneration and Human Resources Committee

The Committee comprises of Christabel Banda (Chairperson), Chileshe Mpundu Kapwepwe and Mohammed Satti. Prior to the election of Mr. Satti to the Board of ZEP- RE in August 2020, Alternate Director Zuheir Hassan attended the 1st Committee meeting in the Year (March 2020).

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 two (02) meetings in 2020.

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 2020 the aggregate amount of emoluments paid to by Directors' is shown in Note 35 (ii) to the financial statements.

Board Attendance in 2020

	Attendance of Board and AGM Meetings in 2020				
	97th Board	29thAGM	98th Board	99th Board	100th Board
Mr William Erio	✓	✓	✓	✓	✓
Ms Chileshe Kapwepwe	✓	✓	✓	✓	✓
Ms Hope Murera	✓	✓	✓	✓	✓
Mr Jan Gross	✓	✓	✓	✓	✓
Mr Ewan Wheeler	✓	✓	✓	✓	✓
Mr Admassu Tadesse	✓	✓	✓	✓	✓
Mr Jadiah Mwarania*	✓	✓	✓		
Mr Daher Warsama	✓	✓	✓	✓	✓
Ms Christabel Banda	✓	✓	✓	✓	✓
Ms Rehema Namutebi**		✓	✓	✓	✓
Mr Zuheir Hassan***	✓	✓	✓		
Mr Simon Chikumbu	✓	✓	✓	✓	✓
Mr Chiboli Shakaba****				✓	✓
Mr Mohamed Satti****				✓	✓

*Mr Mwarania served in the capacity of Alternate Director until the election of Mr. Shakaba to the Board as Director & Representative of Kenya Reinsurance Corporation Limited (Kenya Re) at the 29th AGM of the Company held on 5th August 2020.

** Save for the 97th Board meeting, Ms Namutebi attended all meetings in 2020 as Alternate Director to Mr. Rwamuganza.

*** Mr Hassan served in the capacity of Alternate Director until the election of Mr Mohamed Satti to the Board, as Director & Representative of the Government of Sudan at the 29th AGM of the Company held on 5th August 2020.

**** Mr Shakaba was elected to the Board as substantive Director representing Kenya Re at the 29th AGM of the Company held on 5th August 2020 and attended the 99th and 100th Board meeting.

***** Mr Satti was elected to the Board as substantive Director representing the Government of Sudan at the 29th AGM of the Company held on 5th August 2020 and attended the 99th and 100th Board Meetings.

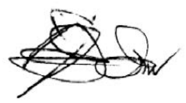
Managing Director and the Management team

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. Rules and policy documents issued by the Board of Directors determine the manner Management manages the Company and executes 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 the day-to-day operational issues.



Chairman

Managing Director

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$ 17.30 million (2019: US$ 28.77 million) has been transferred to retained earnings. The Directors recommend a dividend of US$ 5,000,000 for the year ended 31 December 2020 (2019: US$ 5,000,000). The proposed dividend is to be paid out in cash (US$2.5 million) and through issue of bonus shares equivalent to US$ 2.5 million. The basis of allocation of bonus shares shall be 1 share for every 159 shares held as at 31 December 2020.

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 – new appointments

The 29th Annual General Assembly held on 5th August elected Mr. Chiboli Induli Shakaba and Mr. Mohammed Satti as substantive Directors to the Board of ZEP- RE, and Mr. Mohamed Aden Aboubaker as an Alternate Director to Director Daher Robleh Warsama. The 29th AGM further mandated the Board to appoint a Vice Chairperson from amongst the Directors on the Board and the 99th Board meeting appointed Director Christabel Banda as interim Vice Chairperson until the 30th AGM

Secretary

Miss Miriam Magala continued in service as the Company Secretary.

Auditors

In line with best practice, the performance of the Company's External Auditors , PricewaterhouseCoopers in the year 2020 was reviewed by the Board and a recommendation will be submitted by the Board at the 30th Annual General meeting, for their continuance in service in line with the three year appointment approved at the 29th AGM (subject to an Annual performance review).

PricewaterhouseCoopers has expressed its willingness to continue in office. Accordingly, a resolution containing the aforesaid proposal will be submitted to the 30th Annual General Assembly.

By order of the Board

Secretary 2021

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 apply 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 31 March 2021 and signed on its behalf by:

---	-------------------------------------
Chairman	Managing Director

Financial Statements

Pg 49-113

Opinion

We have audited the accompanying financial statements of ZEP-RE (PTA Reinsurance Company) (the "Company") set out on pages 51 to 113 which comprise the statement of financial position at 31 December 2020, the statements of 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 2020, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Other information

The other information comprises Corporate information, The Board of Directors' profiles, Notice of the 30th 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 are 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, except to the extent otherwise explicitly stated in this report, 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Article 31 of the Agreement establishing ZEP-RE (PTA 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

Bernice Kimacia

CPA Bernice Kimacia, Practising certificate No. 1457

Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP

Certified Public Accountants

Nairobi

13th May **2021**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December	Notes	2020 US$	2019 US$
Gross premiums written	3	208,159,650	207,109,631
Less: Retrocession premiums		(69,051,176)	(59,677,839)
Net written premiums		139,108,474	147,431,792
Movement in unearned premiums reserve		(37,541)	(4,189,771)
Net earned premiums		139,070,933	143,242,021
Investment income	4	12,365,944	28,864,000
Commissions earned		13,826,049	9,494,507
Other income		1,936,573	1,048,384
Total income		167,199,499	182,648,912
Gross incurred claims	5	107,916,380	95,055,029
Less: amounts recoverable from retrocessionaires		(17,824,758)	(11,676,446)
Net claims incurred		90,091,622	83,378,583
Operating and other expenses	6	10,444,759	17,951,365
(Gain)/Loss on foreign exchange transactions		(2,742,451)	3,008,780
Commissions expenses		52,145,073	49,544,699
Total outgo		149,939,003	153,883,427
Profit for the year		17,260,496	28,765,485
Other comprehensive income for year			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain on revaluation of property	25(ii)	144,055	92,741
Fair value gain/(loss) on revaluation of quoted equity investments	25(i)	(5,034,549)	2,750,956
Foreign exchange (loss)/ gain on revaluation of quoted equity investments	25(i)	(781,260)	(41,026)
Fair value gain/(loss) on revaluation of offshore investments	25(i)	387,983	1,180,871
Fair value gain/(loss) on revaluation of government securities	25(i)	154,124	-
Fair value gain on revaluation of investment in affiliated companies	25 (iii)	1,441,534	1,191,014
Total other comprehensive income for the year		(3,688,113)	5,174,556
Total comprehensive income for year		13,572,383	33,940,041
Earnings per share:			
- Basic and diluted	7	0.300	0.503

STATEMENT OF FINANCIAL POSITION

At 31 December	Notes	2020 US$	2019 US$
ASSETS			
Property and equipment	9	2,072,044	2,123,634
Intangible assets	10	735,153	495,737
Investment properties	11	50,676,760	50,557,043
Equity investments at FVOCI			
-Quoted equity investments	12	28,101,646	25,377,958
-Investment in affiliated companies	12	22,831,809	21,389,686
Receivables arising out of reinsurance arrangements	13	32,423,064	36,645,827
Deposits retained by ceding companies	14	6,189,747	5,883,243
Retrocessionaires share of reinsurance liabilities	15	31,897,451	32,360,272
Other receivables	16	6,589,413	5,958,116
Deferred acquisition costs	17	10,442,816	11,392,067
Government securities	18	100,615,885	107,801,093
Offshore investments	19	25,300,318	24,954,423
Deposits with financial institutions	20	121,823,833	105,475,246
Corporate bonds and loans	21	421,906	1,011,410
Cash and bank balances	22	6,870,355	3,600,224
Total assets		446,992,200	435,025,979
EQUITY AND LIABILITIES			
Capital AND reserves			
Share capital	24	57,983,758	57,255,956
Share premium	24	55,613,910	51,341,712
Property revaluation reserve	25	788,806	644,751
Investments revaluation reserve	25	(5,505,415)	(231,713)
Investment in affiliated companies revaluation reserve	25	9,185,139	7,743,605
Retained earnings	26	157,685,720	145,565,224
Total equity		275,751,918	262,319,535
LIABILITIES			
Reinsurance contract liabilities	27	94,073,192	95,341,416
Provision for unearned premiums and unexpired risks	28	39,517,615	42,630,213
Deferred income	29	58,679	59,495
Payables arising from retrocession arrangements	30	11,291,993	11,594,070
Payables arising from reinsurance arrangements	30	11,970,272	6,754,962
Deposits retained on ceded reinsurance business		441,778	638,968
Deferred retrocession commission revenue	31	2,588,541	2,756,449
Other payables	32(i)	9,963,192	11,361,998
Dividends payable	33	1,335,020	1,568,873
Total liabilities		171,240,282	172,706,444
Total equity and liabilities		446,992,200	435,025,979

The financial statements on pages 51 to 113 were approved and authorised for issue by the Board of Directors on 31 March 2021 and were signed on its behalf by:

Chairman **Managing Director**

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital US$	Share premium US$	Property revaluation reserve US$	Investments revaluation reserve US$	Investment in affiliated companies revaluation reserve US$	Retained earnings US$	Total US$
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
At 1 January 2020		57,255,956	51,341,712	644,751	(231,713)	7,743,605	145,565,224	262,319,535
Total comprehensive income for the year		-	-	144,055	(5,273,702)	1,441,534	17,260,496	13,572,383
Transactions with owners								
Shares issued during the year	24	-	-	-	-	-	-	-
Dividends declared	33	-	-	-	-	-	(5,000,000)	(5,000,000)
Transfer to development impact fund	32(ii)	-	-	-	-	-	(140,000)	(140,000)
Issue of shares through capitalisation of 2019 dividends	33	727,802	4,272,198	-	-	-	-	5,000,000
At 31 December 2020		57,983,758	55,613,910	788,806	(5,505,416)	9,185,139	157,685,720	275,751,918

Year ended 31 December	Notes	2020 US$	2019 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operating activities	36	22,165,176	33,925,093
Interest paid on lease liabilities	32	(43,500)	(39,636)
		22,121,676	33,885,457
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9	(159,070)	(154,608)
Purchase of intangible assets	10	(265,874)	(266,088)
Purchase of investment properties	11	(1,052,158)	(8,652,832)
Purchase of equity investments	12(i)	(9,764,805)	(2,751,326)
Purchase of offshore investments		(413,754)	(15,124,064)
Purchase of shares in affiliated companies		(589)	
Purchase of government securities		(18,493,248)	(121,564,227)
Proceeds on maturity of government securities		25,678,456	110,922,896
Proceeds of disposal of offshore securities		455,842	1,294,536
Proceeds of disposal of property and equipment		1,270	21,883
Proceeds of disposal of equity investments		1,225,308	2,378,913
Movement in corporate bonds and loans		589,504	77,586
Net movement in deposits with financial institutions		(29,764,998)	18,895,053
Net cash used in investing activities		(31,964,116)	(14,922,278)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of issue of shares		-	146,400
Dividends paid	33	(233,853)	(1,301,092)
Payment of the principal portion of lease liability	32	(36,899)	(56,856)
Net cash generated from financing activities		(270,752)	(1,211,548)
Net DECREASE in cash and cash equivalents		(10,113,192)	17,751,631
Cash and cash equivalents at 1 JANUARY		25,483,767	7,732,136
Cash and cash equivalents at 31 DECEMBER	37	15,370,575	25,483,767

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:

1. Fostering the development of the Insurance and Reinsurance industry in the COMESA sub-region;
2. Promotion of the growth of national, sub-regional and regional underwriting and retention capacities; and
3. Supporting sub-regional economic development.

The company is domiciled in Kenya and has regional offices in Cote D'Voire, Zimbabwe, Zambia, Democratic Republic of Congo, Ethiopia, Uganda 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 2020:

IFRS 3, 'Business combinations'

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1)

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

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

IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries. The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

IFRS 17 Insurance Contracts

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

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.

(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.

(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.

(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.

(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.

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:

- the Company's business model for managing the financial assets; and
- 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.

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.

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 changes 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:

- 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.

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;

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).

$$ECL = PD \times LGD \times EAD$$

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 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.
- **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 they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

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

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.

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.

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 ECL 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 or reinsurance contracts are determined using a loss rates. Loss rates are calculated with reference to days past due and actual credit loss experience over the past seven years.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 effort 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 year ended 31 December 2020 and 31 December 2019.

(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.

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) Development Impact Fund

The Company has set up a Development Impact Fund whose key objectives were anchored on the Company's mandate towards supporting the social, environmental, and economic wellbeing of its stakeholders.

The Fund's Governance structure and rules are contained in the Fund Charter. The Charter constitutes the Legal form, the organization of the Fund, Internal controls and financial monitoring, Accountability, and fiduciary duties. This is in addition to transparency principles on the financial, organisational and performance aspects of the fund.

The Fund shall implement internal controls and keeps books of accounts in accordance with finance management rules of the Company.

(n) 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.

The interpretation of tax regulations is subject to judgement and as such management recognizes this to the extent of the interpretation of various tax laws. The Company engages members countries when tax regimes change to protect Tax privileges as defined in the Host Agreements.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Comparatives

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

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:

	2020 US$	2019 US$
Class of business:		
Property	94,001,138	88,539,259
Casualty	42,402,479	51,987,520
Motor	12,473,098	9,986,296
Marine	10,369,720	10,047,407
Aviation	9,529,451	3,655,358
Life	15,867,809	17,116,798
Medical	23,515,955	25,776,993
	208,159,650	207,109,631

(ii) Geographical distribution

	2020		2019	
Region	Gross premium	%	Gross premium	%
COMESA	161,653,276	77.66	155,386,981	75.03
Non – COMESA (Africa)	31,238,385	15.01	25,025,582	12.08
Other regions	15,267,989	7.33	26,697,068	12.89
Total	208,159,650	100.00	207,109,631	100.00

(iii) Type - distribution

Proportional	124,018,407	59.58	133,555,069	64.49
Non-proportional	24,770,356	11.90	22,191,187	10.71
Facultative	59,370,887	28.52	51,363,375	24.80
Total	208,159,650	100.00	207,109,631	100.00

4 INVESTMENT INCOME

	2020 US$	2019 US$
Interest from government securities	6,901,181	7,515,788
Interest from deposits with financial institutions	5,128,850	5,674,152
Interest from corporate bonds	87,898	123,983
Income from offshore investments	16,135	16,593
Rental income	641,721	683,381
Dividend income	522,600	722,931
Fair value gains on investment properties (Note 11)	(932,441)	14,127,172
	12,365,944	28,864,000

Investment income earned on financial assets, analysed by category of asset is as follows:		
Investments held at fair value through other comprehensive income	538,735	739,524
Investments held at amortised cost	12,117,929	13,313,923
	12,656,664	14,053,447
Investment income on non-financial assets (investment properties)	(290,720)	14,810,553
Total investment income	12,365,944	28,864,000

5 GROSS INCURRED CLAIMS

Gross settled claims	103,798,851	88,465,453
Change in outstanding claims	4,117,529	6,589,576
	107,916,380	95,055,029

6 OPERATING AND OTHER EXPENSES

Employee emoluments and benefits (Note 8)	6,700,645	10,550,055
Auditors' remuneration	50,004	45,000
General assembly and Board expenses	208,057	502,289
Depreciation of property and equipment (Note 9)	339,147	330,321
Amortisation of intangible assets (Note 10)	26,458	26,458
Provision for expected credit losses arising from reinsurance premium receivables (Note 13(iii))	(624,787)	2,756,383
Repairs and maintenance costs	303,526	368,115
Premium taxes and charges	1,910,468	1,427,332
Other expenses	1,531,241	1,945,412
	10,444,759	17,951,365

7 EARNINGS PER SHARE

	2020 US$	2019 US$
Profit attributable to shareholders (US$)	17,260,496	28,765,485
Weighted average number of shares issued (Note 24(iii))	57,619,856	57,161,263
Earnings per share (US$) - basic and diluted	0.300	0.503

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 2020 and 31 December 2019. The diluted earnings per share is therefore the same as the basic earnings per share disclosed above.

8 EMPLOYEE EMOLUMENTS AND BENEFITS

	2020 US$	2019 US$
Staff costs include the following:		
- Salaries and wages (including bonuses)	4,712,733	8,245,504
- Staff retirement benefits	887,943	902,017
- Other staff benefits	1,099,969	1,402,534
	6,700,645	10,550,055

The number of persons employed by the company at the year-end was 78 (2019: 78).

9 PROPERTY AND EQUIPMENT

	2020 US$	2019 US$
Cost or valuation	3,763,360	3,606,474
Accumulated depreciation	(1,691,316)	(1,482,840)
Net book value	2,072,044	2,123,634
Comprising;		
Buildings	1,420,029	1,301,995
Motor vehicles	59,888	96,983
Office furniture and fittings	203,329	204,999
Office equipment	109,143	89,802
Computers equipment	34,868	103,468
Right of use assets	244,787	326,387
Net book value	2,072,044	2,123,634

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 2020 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$ 631,224 (2019: US$ 657,244).

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$ 2,117,271 (2019: US$ 995,331) 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$ 591,426 (2019: US$ 222,214).

	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 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
At 1 January 2020	1,301,995	263,108	815,043	181,567	636,777	407,984	3,606,474
Additions	-	-	76,694	40,641	41,735	-	159,070
Disposals	-	(95,648)	(3,161)	-	-	-	(98,809)
*Reclassifications	(1)	1	(28,536)	(1,147)	8,273	-	(21,410)
Revaluation surplus	118,035	-	-	-	-	-	118,035
At 31 December 2020	1,420,029	167,461	860,040	221,061	686,785	407,984	3,763,360
ACCUMULATED DEPRECIATION							
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
At 1 January 2020	-	166,125	610,044	91,765	533,309	81,597	1,482,840
Charge for the year	26,020	37,097	47,919	15,955	130,556	81,600	339,147
Eliminated on disposals	-	(95,648)	(2,783)	-	-	-	(98,431)
*Reclassifications	-	(1)	1,531	4,198	(11,948)		(6,220)
Written back on revaluation	(26,020)	-	-	-	-	-	(26,020)
At 31 December 2020	-	107,573	656,711	111,918	651,917	163,197	1,691,316
NET BOOK VALUE							
At 31 December 2020	1,420,029	59,888	203,329	109,143	34,868	244,787	2,072,044
At 31 December 2019	1,301,995	96,983	204,999	89,802	103,468	326,387	2,123,634

*Reclassifications relate to adjustments to reconcile the asset register to the general ledger.

Details of the company's freehold land and buildings and information about fair value hierarchy as at 31 December 2020 are as follows:

	2020 US$	2019 US$
Level 1	-	-
Level 2	-	-
Level 3	1,420,029	1,301,995
Fair value at 31 December	1,420,029	1,301,995

There were no transfers between the levels during the year.

10 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2020 US$	2019 US$
Cost	1,727,494	1,432,309
Accumulated amortisation	(992,341)	(936,572)
Net book value	735,153	495,737

Movement analysis:	Software licences	Other software	Work in Progress	Total
Cost	US$	US$	US$	US$
At 1 January 2019	621,931	315,017	229,273	1,166,221
Additions	14,602	24,523	226,963	266,088
At 31 December 2019	636,533	339,540	456,236	1,432,309
At 1 January 2020	636,533	339,540	456,236	1,432,309
Additions	-	-	265,874	265,874
*Reclassifications	-	29,311	-	29,311
At 31 December 2020	636,533	368,851	722,110	1,727,494
Accumulated amortisation				
At 1 January 2019	621,931	288,183	-	910,114
Charge for the year	4,862	21,596	-	26,458
At 31 December 2019	626,793	309,779	-	936,572
Charge for the year	4,862	21,596	-	26,458
*Reclassifications	-	29,311	-	29,311
At 31 December 2020				
Net book value				
At 31 December 2020	4,878	8,165	722,110	735,153
At 31 December 2019	9,740	29,761	456,236	495,737

All software is amortised over a period of three years.

*Reclassifications relate to adjustments to reconcile the asset register to the general ledger.

11 INVESTMENT PROPERTIES

	2020 US$	2019 US$
Fair value of investment properties	50,676,760	50,557,043

Investment properties comprise:

At fair value:	*Zep-Re Place US$	Prosperity House US$	Zambia land US$	Zambia Business Park US$	Mombasa Road Land US$	Harare Property US$	Sudan Property US$	Total US$
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
Fair value gain/(loss) 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
At 1 January 2020	10,948,076	5,174,004	199,439	33,000,000	985,524	250,000	-	50,557,043
Additions	131,002	-	-	-	-	-	921,156	1,052,158
Fair value (loss)/gain on revaluation	1,152,690)	74,741	-	-	155,508	(10,000)	-	(932,441)
At 31 December 2020	9,926,388	5,248,745	199,439	33,000,000	1,141,032	240,000	921,156	50,676,760

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 2020, 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.

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 2020 are as follows:

	2020 US$	2019 US$
Level 1	-	-
Level 2	50,676,760	50,557,043
Level 3	-	-
Fair value at 31 December	50,676,760	50,557,043

There were no transfers between the levels during the year.

12 (i) QUOTED EQUITY INVESTMENTS

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

	2020 US$	2019 US$
At 1 January	25,377,958	22,295,615
Additions	9,764,805	2,751,326
Disposals	(1,225,308)	(2,378,913)
Fair value gains/(losses) (Note 25 (i))	(5,034,549)	2,750,956
Exchange difference on revaluation (Note 25 (i))	(781,260)	(41,026)
At 31 December	28,101,646	25,377,958

(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$	TDB US$	Total US$
At 1 January 2019	1,514,207	7,378,005	2,065,653	552,290	8,688,517	20,198,672
Fair value gains (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
At 1 January 2020	1,637,530	7,207,002	2,429,914	555,191	9,560,049	21,389,686
Additions	589	-	-	-	-	589
Fair value gain (Note 25(iii))	326,534	286,252	152,803	48,716	627,229	1,441,534
At 31 December 2020	1,964,653	7,493,254	2,582,717	603,907	10,187,278	22,831,809

The investments at 31 December 2020 have been reported at the company's share of the affiliated companies' net assets value based on the affiliates' last audited financial statements. In the opinion of the directors, net asset value is not materially different from fair value.

13 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	2020 US$	2019 US$
Receivables from reinsurance arrangements	42,659,786	47,502,766
Provision for expected credit losses (Note 13 (ii) below)	(10,236,722)	(10,856,939)
Net carrying value	32,423,064	36,645,827

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

(i) Ageing of receivables arising out of reinsurance arrangements

	2020 US$	2019 US$
0 - 90 days	10,176,716	7,367,104
91-120 days	1,921,901	3,401,806
121-270 days	9,604,227	14,595,061
271 – 360 days	3,252,415	367,999
Over 360 days	7,467,805	10,913,857
At 31 December	32,423,064	36,645,827
Average age (days) – gross written premium basis	57	65

(ii) Movement in the provision for expected credit losses

	2020	2019
At 1 January	10,856,939	8,113,174
(Credit)/charge for the year inward debtors	(624,787)	2,756,383
Written back/(off) during the year as uncollectible	4,570	(12,618)
At 31 December	10,236,722	10,856,939

14 DEPOSITS RETAINED BY CEDING COMPANIES

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

	2020 US$	2019 US$
At 1 January	5,883,243	5,590,671
Increase during the year	306,504	292,572
At 31 December	6,189,747	5,883,243

In the opinion of the directors, the carrying amount is not materially different from fair value and hence no credit losses have been charged on the balance.

15 RETROCESSIONAIRES SHARE OF REINSURANCE LIABILITIES

	2020	2019
Retrocessionaires share of :		
Provision for unearned premiums and unexpired risks (Note 28)	12,552,114	11,720,947
Notified outstanding claims (Note 27)	9,321,035	10,594,674
Incurred but not reported (Note 27)	10,024,302	10,044,651
	31,897,451	32,360,272

16 OTHER RECEIVABLES

	2020 US$	2019 US$
Receivable from Retakaful window	1,001,553	464,555
Staff receivables	2,863,258	2,136,308
Prepayments	599,159	1,435,060
Deposits	41,962	38,095
Rent receivable	427,832	540,090
Other receivables	1,789,466	1,344,685
Provision for expected credit losses	(133,817)	(677)
	6,589,413	5,958,116

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:

	2020 US$	2019 US$
At 1 January	11,392,067	10,127,063
(Decrease)/increase during the year	(949,251)	1,265,004
At 31 December	10,442,816	11,392,067

18 GOVERNMENT SECURITIES

		2020 US$	2019 US$
	Comprised of:		
(i)	Treasury bonds and bills	51,028,514	10,733,847
	Loans and receivables due from Governments	50,906,796	97,800,201
		101,935,310	108,534,048
	Provision for expected credit losses	(1,319,425)	(732,955)
		100,615,885	107,801,093

		2020 US$	2019 US$
	Maturity profile:		
(i)	Treasury bonds & bills maturing:		
	Within 6 months	32,918	10,715,265
	In 6 months to 1 year	-	-
	In 1 to 5 years	19,871,056	-
	- After 5 years	31,124,540	18,582
		51,028,514	10,733,847
(ii)	Loans and receivables due from the Governments maturing:		
	Within 6 months	459,746	10,003,225
	In 6 months to 1 year	-	4,543,960
	- In 1 to 5 years	42,152,782	34,916,644
	- After 5 years	8,294,268	48,336,372
	At 31 December	50,906,796	97,800,201
	Analysis by currency denomination:		
	Securities in US Dollars	100,979,051	107,506,453
	Securities in Kenya Shillings	956,259	1,027,595
		101,935,310	108,534,048

Movement in provision for expected credit losses

	2020 US$	2019 US$
At 1 January	(732,955)	(128,869)
Charge for the year	(586,470)	(604,086)
At 31 December	(1,319,425)	(732,955)

19 OFFSHORE INVESTMENTS

	2020 US$	2019 US$
Wealth fund	3,606,746	3,710,335
Credit Suisse Discretionary Fund	6,611,595	6,120,024
Credit Suisse Floating Rate Bond Fund	15,081,977	15,124,064
	25,300,318	24,954,423

Movement during the year		
At 1 January	24,954,423	9,944,024
Additions	413,754	15,124,064
Disposals	(455,842)	(1,294,536)
Fair value gain (Note 25(i))	387,983	1,180,871
At 31 December	25,300,318	24,954,423

20 DEPOSITS WITH FINANCIAL INSTITUTIONS

Analysis by currency denomination:	2020 US$	2019 US$
Deposits in United States Dollars	97,248,446	86,587,353
Deposits in Kenya Shillings	11,715,774	8,510,766
Deposits in Ethiopian Birr	8,584,026	8,664,110
Deposits in West African Franc	4,327,934	-
Deposits in Malawian Kwacha	312,761	-
Deposits in Sudanese Pound	-	1,263,914
Deposits in Zambian Kwacha	-	781,123
	122,188,941	105,807,266
Provision for expected credit losses	(365,108)	(332,020)
	121,823,833	105,475,246

Maturity analysis:		
Deposits with financial institutions maturing:		
Within 3 months of placement	8,500,220	21,883,543
After 3 months of placement	113,688,721	83,923,723
	122,188,941	105,807,266
Movement in provision for expected credit losses		
At 1 January	(332,020)	(452,854)
(Charge)/Credit for the year	(33,088)	120,834
At 31 December	(365,108)	(332,020)

Deposits with financial institutions have an average maturity of 3 to 12 months (2019: 3 to 12 months).

21 CORPORATE BONDS AND LOANS

	2020 US$	2019 US$
Analysis by currency denomination:		
Kenyan Shillings	438,707	180,761
Rwanda Francs	-	842,343
	438,707	1,023,104
Provision for expected credit losses	(16,801)	(11,694)
	421,906	1,011,410
Maturity analysis:		
Corporate bonds and loans maturing:		
Within 1 year	-	297,440
Between 1 to 5 years	421,906	713,970
	421,906	1,011,410
Movement in provision for expected credit losses		
At 1 January	(11,694)	(9,644)
Charge for the year	(5,107)	(2,050)
At 31 December	(16,801)	(11,694)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 CASH AND BANK BALANCES

Analysis by currency denomination:	2020 US$	2019 US$
United States Dollars	1,802,539	721,239
European Euro	1,067,532	-
Ethiopian Birr	1,042,635	581,286
Sudanese Pound	767,364	47,153
Burundian Francs	726,234	475,959
West African CFA Franc	640,159	1,043,004
Zimbabwean Dollar	385,299	366,535
Rwandese Francs	244,538	54,097
Kenya Shillings	168,471	110,521
Zambian Kwacha	15,247	23,144
Central African XAF Franc	13,699	38,499
Others	56,309	213,603
	6,930,026	3,626,593
Provision for expected credit losses	(59,671)	(26,369)
	6,870,355	3,600,224

Movement in provision for expected credit losses		
At 1 January	(26,369)	(37,161)
Charge for the year	(33,302)	10,792
At 31 December	(59,671)	(26,369)

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:

	2020 %	2019 %
Government securities		
Securities in Kenya Shillings	13.1	12.6
Securities in United States Dollars	6.2	8.2
Deposits with financial institutions		
Deposits in United States Dollars	4.1	4.2
Deposits in Kenya Shillings	7.3	7.9
Deposits in Sudanese Pound	8.9	2.4
Deposits in Ethiopian Birr	8.6	8.5
Deposits in West African Francs	0.4	-
Deposits in Malawian Kwacha	0.9	3.1
Deposits in Zambian Kwacha	3.6	15.4

24 ISSUED CAPITAL

		2020 US$	2019 US$
(i)	Issued capital		
	Ordinary shares of US$ 1 each:		
	Share capital	57,983,758	57,255,956
	Share premium	55,613,910	51,341,712
	Paid up capital	113,597,668	108,597,668

		No of shares	Share capital	Share premium
(ii)	Paid up shares	No of shares	Share capital	Share premium
	Year ended 31 December 2019		us$	us$
	Ordinary shares of US$ 1 each:			
	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

		No of shares	Share capital US$	Share premium US$
(ii)	Paid up shares			
	Year ended 31 December 2020			
	At 1 January 2020	57,255,956	57,255,956	51,341,712
	Dividends capitalised	727,802	727,802	4,272,198
	At 31 December 2020	57,983,758	57,983,758	55,613,910

		2020	2019
(iii)	Weighted average number of shares (Note 7)	57,619,856	57,161,263

25 RESERVES

	2020 US$	2019 US$
Investments revaluation reserve (Note 25 (i))	(5,505,415)	(231,713)
Property revaluation reserve (Note 25 (ii))	788,806	644,751
Investment in affiliated companies revaluation reserve (Note 25 (iii))	9,185,139	7,743,605
	4,468,530	8,156,643

(i) Investments revaluation reserve

	2020 US$	2019 US$
At 1 January	(231,713)	(4,122,514)
Fair value (loss)/gain on revaluation of quoted equity investments	(5,034,549)	2,750,956
Foreign exchange loss on revaluation of quoted equity investments (Note 12)	(781,260)	(41,026)
Fair value gain on revaluation of offshore investments (Note 19)	387,983	1,180,871
Fair value gain on government securities	154,124	-
At 31 December	(5,505,415)	(231,713)

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 2020 and 31 December 2019, 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

	2020 US$	2019 US$
At 1 January	644,751	552,010
Revaluation surplus (Note 9)	118,035	67,979
Depreciation written back on revaluation (Note 9)	26,020	24,762
Net gain on revaluation of property	144,055	92,741
At 31 December	788,806	644,751

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.

(iii) Investment in affiliated Companies revaluation reserve

This relates to valuation gains or losses in investments in affiliated Companies. In 2020, a net fair value gain of US$ 1,441,534 (2019:US$ 1,191,014) was realized in the year.

	2020 US$	2019 US$
At 1 January	7,743,605	6,552,591
Fair value gain	1,441,534	1,191,014
	9,185,139	7,743,605

26 RETAINED EARNINGS

	2020 US$	2019 US$
Retained earnings	157,587,968	145,565,224

The movement in retained earnings is as follows:

	2020 US$	2019 US$
At 1 January	145,565,224	119,299,739
Dividend declared (Note 33)	(5,000,000)	(2,500,000)
Transfer to development impact fund	(140,000)	-
Profit for year	17,260,496	28,765,485
At 31 December	157,685,720	145,565,224

During the year ended 31 December 2020, the dividend arising out of 2019 profits amounting to US$ 5,000,000 was declared at the Annual General Meeting and paid out as detailed under Note 33.

In respect of 2019, the appropriation to the development impact fund from retained earnings was US$ 140,000 as detailed under Note 32.

Retained earnings include fair value gains on revaluation of investment properties which are unrealised and are not available for distribution. At 31 December 2020 the unrealised fair value gains on revaluation of investment properties amounted to US$ 21,051,826 (2019: US$ 21,984,267).

27 Reinsurance contract liabilities

	2020 US$	2019 US$
Reinsurance contracts comprise:		
- claims reported and claims handling expenses	54,238,674	58,776,054
- claims incurred but not reported (IBNR)	39,834,518	36,565,362
Total reinsurance liabilities	94,073,192	95,341,416

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.

	2020			2019		
	Gross US$	Retrocessions US$	Net US$	Gross US$	Retrocessions US$	Net US$
Outstanding claims	54,238,674	(9,321,035)	44,917,639	58,776,054	(10,594,674)	48,181,380
IBNR	39,834,518	(10,024,302)	29,810,216	36,565,362	(10,044,651)	26,520,711
Total outstanding claims	94,073,192	(19,345,537)	74,727,855	95,341,416	(20,639,325)	74,702,091

The Company's outstanding claims and IBNR were reviewed by an independent actuary, Actuarial Services (EA) Limited, registered Actuaries at 31 December 2020.

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:

	2020			2019		
	Gross US$	Retrocessions US$	Net US$	Gross US$	Retrocessions US$	Net US$
At 1 January	42,630,213	(11,720,947)	30,909,266	37,999,423	(10,567,002)	27,432,421
Movement in the year:						
Unearned premiums	868,708	(831,167)	37,541	5,343,716	(1,153,945)	4,189,771
Foreign exchange gain	(3,981,306)	-	(3,981,306)	(712,926)	-	(712,926)
	(3,112,598)	(831,167)	(3,943,765)	4,630,790	(1,153,945)	3,476,845
At 31 December	39,517,615	(12,552,114)	26,965,501	42,630,213	(11,720,947)	30,909,266
		(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:

	2020 US$	2019 US$
Arising from Government grant		
- At 1 January and at 31 December	80,686	80,686
Accumulated amortisation:		
At 1 January	21,191	20,376
Credited to other income for the year	816	815
At 31 December	22,007	21,191
At 31 December	58,679	59,495

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:

	2020 US$	2019 US$
At 1 January	11,594,070	10,334,191
(Decrease)/increase during the year	(302,077)	1,259,879
At 31 December	11,291,993	11,594,070

(ii) PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

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

	2020 US$	2019 US$
At 1 January	6,754,962	5,294,529
Increase during the year	5,215,310	1,460,433
At 31 December	11,970,272	6,754,962

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:

	2020 US$	2019 US$
At 1 January	2,756,449	2,331,202
(Decrease)/increase during the year	(167,908)	425,247
At 31 December	2,588,541	2,756,449

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32(i) OTHER PAYABLES

	2020 US$	2019 US$
Rent deposits	289,597	285,332
Other liabilities	7,641,981	9,586,204
Leave pay provision	191,687	153,683
Provision for gratuity	1,385,698	985,651
Lease liabilities	314,229	351,128
Development impact fund (Note 32 (ii))	140,000	-
	9,963,192	11,361,998
The lease liabilities are split as follows:		
Current	53,085	57,310
Non-current	261,144	293,818
	314,229	351,128
The movement in lease liabilities is as follows:		
At 1 January	351,128	407,984
Interest on lease liabilities	43,500	39,636
Lease payments made in the year	(80,399)	(96,492)
	314,229	351,128
The total cash outflow for lease in the year was:		
Interest on lease liabilities	43,500	39,636
Payments of the principal portion of lease liabilities	36,899	56,856
	80,399	96,492

32(ii) DEVELOPMENT IMPACT FUND

The movement in the development impact fund is as follows:

	2020	2019
At 1 January	140,000	-
Appropriation from retained earnings	-	140,000
At 31 December	140,000	140,000

In respect of the current year, the Directors propose an appropriation of US$ 86,302 from the retained earnings (2019: US$ 140,000). This appropriation is subject to approval of shareholders at the Annual General Meeting to be held on 27th May 2021 and has therefore not been recognised as a liability in these financial statements.

33 DIVIDENDS PAYABLE

	2020 US$	2019 US$
The movement in dividends payable is as follows:		
At 1 January	1,568,873	1,357,176
Final dividend declared	5,000,000	2,500,000
Dividend paid	(233,853)	(1,301,092)
Dividend capitalised	(5,000,000)	(987,211)
At 31 December	1,335,020	1,568,873

In respect of the current year, the Directors propose a dividend of US$ 5,000,000 (2019: US$ 5,000,000). This dividend is subject to approval of shareholders at the Annual General Meeting to be held on 27th May 2021 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:

	2020 US$	2019 US$
Property and equipment	-	150,000
Investment properties	-	120,000
Intangible software	-	275,000
	-	545,000

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:

		2020 US$	2019 US$
(i)	Transactions with related parties		
	Gross earned premium:		
	Shareholders	21,549,538	19,401,067
	Claims paid		
	Shareholders	8,685,283	6,275,109
(ii)	Directors' remuneration		
	Directors' fees	126,300	136,000
	Other emoluments paid (per diem)	-	109,168
		126,300	245,168
(iii)	Key management remuneration		
	Salaries and other short-term employment benefits	1,406,923	1,166,761
	Gratuity	233,679	252,729
		1,640,602	1,419,490
(iv)	Outstanding balances with related parties		
	Premiums receivable from related parties	4,411,745	2,781,357
	Staff car and other loans	2,863,258	2,136,308
		7,275,003	4,917,665

36 CASH GENERATED FROM OPERATIONS

		2020 US$	2019 US$
Profit for the year		17,260,496	28,765,485
Adjustments for:			
Loss/(gain) on disposal of property and equipment		28,422	(21,883)
Fair value loss/(gain) on investment properties	4	932,441	(14,127,172)
Provision for expected credit losses			-
Provision for expected credit losses - deposits with financial institutions	20	33,088	(120,834)
Depreciation of property and equipment		257,547	248,724
Depreciation of right of use asset	9	81,600	81,597
Amortisation of intangible assets	10	26,458	26,458
Interest on lease liabilities	32	43,500	39,636
Amortisation of deferred income	29	(816)	(815)
Changes in:			
Provision for unearned premiums and unexpired risks		(3,112,598)	4,630,790
Reinsurance contract liabilities		(1,268,224)	4,944,693
Deposits retained by ceding companies		(306,504)	(292,572)
Deposits retained on ceded reinsurance business		(197,190)	(56,688)
Deferred acquisition costs (DAC)		949,251	(1,265,004)
Receivables arising out of reinsurance arrangements		4,222,763	334,538
Retrocessionaires share of technical liabilities		462,821	(1,210,794)
Payables arising out of retrocession arrangements		(302,077)	1,259,879
Deferred retrocession commission revenue (DRR)		(167,908)	425,247
Payables arising from reinsurance arrangements		5,215,310	1,460,433
Other receivables		(631,297)	3,552,689
Other payables		(1,361,907)	5,250,686
Net cash generated from operations		22,165,176	33,925,093

37 CASH AND CASH EQUIVALENTS

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

	2020 US$	2019 US$
Cash and bank balances	6,870,355	3,600,224
Deposits with financial institutions maturing within 3 months (Note 20)	8,500,220	21,883,543
	15,370,575	25,483,767

38 OPERATING LEASE COMMITMENTS

Net rental income earned during the year was US$ 641,721 (2019: US$ 683,381). At the end of the reporting period, the Company had contracted with tenants for the following future lease receivables:

	2020 US$	2019 US$
Not later one year	625,683	603,525
Later than 1 year but not later than 5 years	1,766,997	2,451,364
More than 5 years	-	132,976
	2,392,680	3,187,865

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;
- 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 2020 and 31 December 2019 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

At 31 December 2020		Maximum insured loss			Total
Class of business		**US$ 0m - US$ 0.25m**	**US$ 0.25m - US$ 1m**	**Over US$ 1m**	
Property	Gross	93,020,163	357,979,414	8,445,020,672	8,896,020,249
	Net	84,226,986	316,030,519	2,763,953,675	3,164,211,180
Casualty	Gross	54,073,150	177,415,586	1,197,945,688	1,429,434,424
	Net	52,062,840	159,072,026	349,477,409	560,612,275
Motor	Gross	36,518,726	52,960,814	72,918,324	162,397,864
	Net	35,177,958	44,758,952	56,484,526	136,421,436
Marine	Gross	39,617,311	79,481,325	307,288,990	426,387,626
	Net	36,938,669	77,457,023	91,979,309	206,375,001
Aviation	Gross	3,993,974	7,346,588	1,382,940,996	1,394,281,558
	Net	3,993,974	6,496,588	4,135,000	14,625,562
Life	Gross	12,326,236	6,481,888	75,531,674	94,339,798
	Net	12,268,918	5,991,873	20,460,298	38,721,089
Medical	Gross	1,574,240	2,598,423	-	4,172,663
	Net	1,565,945	2,598,423	-	4,164,368
Total	**Gross**	**241,123,800**	**684,264,038**	**11,481,646,344**	**12,407,034,182**
	Net	**226,235,290**	**612,405,404**	**3,286,490,217**	**4,125,130,911**

At 31 December 2019		Maximum insured loss			Total
Class of business		**US$ 0m - US$ 0.25m**	**US$ 0.25m - US$ 1m**	**Over US$ 1m**	
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	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**

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

Class	2020 Limit (US$)	2019 Limit (US$)
Fire/Engineering risk & Cat Excess of loss	171,500,000 in excess of 3,500,000	171,500,000 in excess of 3,500,000
Accident and Motor	8,500,000 in excess of 1,500,000	8,500,000 in excess of 1,500,000
Marine & Energy Excess of loss	18,500,000 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.

(i) 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.

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 2020	US$
Deposits retained by ceding companies	6,189,747
Retrocessionaires share of technical liabilities	31,897,451
Other receivables (excluding prepayments) (Note 16)	6,124,071
Receivables arising out of reinsurance arrangements (Note 13)	42,659,786
Government securities (Note 18)	101,935,310
Offshore investments (Note 19)	25,300,318
Deposits with financial institutions (Note 20)	122,188,941
Corporate bonds and loans (Note 21)	438,707
Bank balances (Note 22)	6,930,026
	343,664,357

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
	334,215,448

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

	31 December 2020	31 December 2019
	12-month ECL	12-month ECL
	Shs'000	Shs'000
Deposits with financial institutions	122,188,941	105,807,266

Loss allowance	(365,108)	(332,020)
Amortised cost	**121,823,833**	**105,475,246**
Government bonds at amortised cost	101,935,310	108,534,048
Loss allowance	(1,319,425)	(732,955)
Amortised cost	**100,615,885**	**107,801,093**
Corporate bonds and commercial papers at amortised cost	438,707	1,023,104
Loss allowance	(16,801)	(11,694)
Amortised cost	**421,906**	**1,011,410**
Cash and cash equivalents	6,930,026	3,626,593
Loss allowance	(59,671)	(26,369)
Amortised cost	**6,870,355**	**3,600,224**
Receivables arising out of reinsurance arrangements	42,659,786	47,502,766
Loss allowance	(10,236,722)	(10,856,939)
Amortised cost	**32,423,064**	**36,645,827**
Other receivables	6,124,071	4,523,733
Loss allowance	(133,817)	(677)
Amortised cost	**5,990,254**	**4,523,056**
Total financial assets	**280,276,841**	**271,017,510**
Total loss allowance	**(12,131,544)**	**(11,960,654)**
Total financial assets at amortised cost	**268,145,297**	**259,056,856**

(b) Market risk

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 2020 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 680,343 (2019: USD 751,579) lower/higher.

At 31 December 2020 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 512,885 (2019: USD 567,415) lower/ higher.

At 31 December 2020 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 8,790 (2019: USD 12,398) lower/higher.

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

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 2020, 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$ 2,248,132 (2019: US$ 2,030,237) higher/lower, and equity would have been US$ 2,248,132 (2019: US$ 2,030,237) 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 2020, 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$ 635,170 higher/lower (2019: US$ 182,259 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 2.3% (2019: 2.4%) of the company's net assets.

At 31 December 2020, if the US dollar had weakened/strengthened by 10% against the Ethiopian Birr with all other variables held constant, the net assets for the year would have been US$ 747,670 (2019: US$ 597,594) higher/lower mainly as a result of Ethiopian Birr denominated deposits, receivables and payables. At 31 December 2020, the Ethiopian Birr denominated net assets constitute 2.7% (2019: 2.2%) of the net assets.

At 31 December 2020, if the US dollar had weakened/strengthened by 10% against the Zambian Kwacha (ZMW) with all other variables held constant, the net assets would have been US$ 532,561 (2019: US$ 485,000) higher/lower, mainly as a result of Zambian Kwacha denominated investments, receivables and payables. At 31 December 2020, the Zambian Kwacha denominated net assets constitute 1.9% (2019: 1.8%) of the net assets.

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

At 31 December 2020	US$	NPR	KES	SDG	UGX	TZS	RWF	ETB	ZMW	Others	Total
Assets											
Investment properties	50,676,760	-	-	-	-	-	-	-	-	-	50,676,760
Equity investments	14,906,041	-	13,195,605	-	-	-	-	-	-	-	28,101,646
Investment in Affiliated companies	18,284,439	-	-	-	1,964,653	2,582,717	-	-	-	-	22,831,809
Receivables arising out of reinsurance arrangements	7,462,465	956,302	5,467,498	1,240,582	1,381,286	1,790,748	988,971	3,078,078	829,412	9,227,722	32,423,064
Retrocessionaires share of technical liabilities	31,897,451	-	-	-	-	-	-	-	-	-	31,897,451
Deposits retained by ceding companies	333,072	12,862	141,298	-	-	2,496	255,594	(25,115)	-	5,469,540	6,189,747
Deferred acquisition costs	2,151,574	100,463	3,649,618	888,118	543,744	518,500	326,061	468,565	656,044	1,140,129	10,442,816
Government securities	99,659,626	-	956,259	-	-	-	-	-	-	-	100,615,885
Offshore investments	25,300,318	-	-	-	-	-	-	-	-	-	25,300,318
Deposits with financial institutions	96,883,338	-	11,715,774	-	-	-	-	8,584,026	-	4,640,695	121,823,833
Corporate Bonds and Loans	438,707	-	(16,801)	-	-	-	-	-	-	-	421,906
Cash and bank balances	1,732,478	-	168,471	767,364	4,008	51,682	244,538	1,042,635	15,247	2,843,932	6,870,355
Total	349,726,269	1,069,627	35,277,722	2,896,064	3,893,691	4,946,143	1,815,164	13,148,189	1,500,703	23,322,018	437,595,590
Liabilities											
Reinsurance contract liabilities	18,978,963	5,062,178	26,033,422	2,196,667	4,403,782	5,711,804	1,426,655	4,441,597	2,052,835	23,765,289	94,073,192
Payables arising from retrocession arrangements	3,460,390	211,062	1,543,248	70,594	335,531	260,230	65,129	12,424	821,569	4,511,816	11,291,993
Payables arising from reinsurance arrangements	3,668,246	223,740	1,635,947	74,834	355,686	275,862	69,041	13,170	870,918	4,782,828	11,970,272
Deposits retained on ceded reinsurance business	441,778	-	-	-	-	-	-	-	-	-	441,778
Unearned premium reserves	11,458,775	351,958	12,416,802	2,375,199	1,847,571	1,679,618	1,109,662	1,204,303	3,080,989	3,992,738	39,517,615
Deferred Retrocession Revenue	2,588,541	-	-	-	-	-	-	-	-	-	2,588,541
Total	40,596,693	5,848,938	41,629,419	4,717,294	6,942,570	7,927,514	2,670,487	5,671,494	6,826,311	37,052,671	159,883,391
Net financial position exposure	309,129,576	(4,779,311)	(6,351,697)	(1,821,230)	(3,048,879)	(2,981,371)	(855,323)	7,476,695	(5,325,608)	(13,730,653)	277,712,199

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (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

(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 2020:

	Total Amount 2019	No stated maturity	Contractual cash flows (undiscounted) 0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs
Financial assets:								
Receivables arising out of reinsurance arrangements	32,423,064	-	32,423,064	-	-	-	-	-
Deposits retained by ceding companies	6,189,747	-	6,189,747	-	-	-	-	-
Notified outstanding claims (Note 15)	9,321,035	-	9,321,035	-	-	-	-	-
Government securities	105,969,083	2,185,046	492,664	19,668,993	4,972,781	27,019,162	11,421,488	40,208,949
Deposits with financial institutions	122,188,941	3,673,252	118,515,689	-	-	-	-	-
Corporate bonds and loans	421,906	-	-	-	-	421,906	-	-
Cash and bank balances	6,870,355	-	6,870,355	-	-	-	-	-
Total	272,125,366	-	188,421,070	552,033	23,307,303	180,761	11,255,650	48,408,549
Reinsurance liabilities:								
Outstanding claims (Note 27)	54,238,674	-	54,238,674	-	-	-	-	-
Payables arising from retrocession arrangements	11,291,993	-	11,291,993	-	-	-	-	-
Payables arising from reinsurance arrangements	11,970,272	-	11,970,272	-	-	-	-	-
Deposits retained on ceded reinsurance business	441,778	-	441,778	-	-	-	-	-
Other Payables	9,648,963	140,000	8,123,265	-	1,385,698	-	-	-
Dividends payable	1,335,020	-	1,335,020	-	-	-	-	-
Total	88,926,700	140,000	87,401,002	-	1,385,698	-	-	-
Net liquidity surplus	181,781,569	-	99,062,924	552,033	22,321,652	180,761	11,255,650	48,408,549

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 2019:

	Total Amount 2019	No stated maturity	Contractual cash flows (undiscounted) 0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs
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	-	-	-	-	-
Notified outstanding claims (Note 15)	10,594,674	-	10,594,674	-	-	-	-	-
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	-	-	-	-	-
	272,125,366		188,421,070	552,033	23,307,303	180,761	11,255,650	48,408,549
Reinsurance liabilities:								
Outstanding claims (Note 27)	58,776,054	-	58,776,054	-	-	-	-	-
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	-	-	-	-	-
Other Payables	11,010,870	-	10,025,219	-	985,651	-	-	-
Dividends payable	1,568,873	-	1,568,873	-	-	-	-	-
Total	90,343,797	-	117,085,865	-	985,651	-	-	-
Net liquidity surplus	**181,781,569**	**-**	**99,062,924**	**552,033**	**22,321,652**	**180,761**	**11,255,650**	**48,408,549**

(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 2020 is estimated at US$ 105,969,083 (2019: US$ 108,606,220) compared to their carrying value of US$ 100,615,885 (2019: US$ 107,801,093). The fair values of the Company's deposits with financial institutions and 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.

Financial assets/ liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2020	2019				
	US$	US$				
Equity investments	28,101,646	25,377,958	Level 1	Quoted bid prices in an active market	N/A	N/A
Offshore investments	25,300,318	24,954,423	Level 1	Quoted bid prices in an active market	N/A	N/A
Investment in affiliated companies	22,831,809	21,389,686	Level 3	Net Asset value	N/A	N/A

There were no transfers between the levels during the period (2019: nil).

At 31 December 2020	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets:				
Equity investments	28,101,646	-	-	28,101,646
Offshore investments	25,300,318	-	-	25,300,318
Investment in affiliated companies	-	-	22,831,809	22,831,809
Total	53,401,964	-	22,831,809	76,233,773

At 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets:	US$	US$	US$	US$
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

(iii) Financial assets by category

At 31 December 2020	Amortised cost US$	Fair value through other comprehensive income US$	Total US$
Equity investments	-	28,101,646	28,101,646
Investment in affiliated companies	-	22,831,809	22,831,809
Receivables arising out of reinsurance arrangements	32,423,064	-	32,423,064
Deposits retained by ceding companies	6,189,747	-	6,189,747
Other receivables	6,589,413	-	6,589,413
Government securities	105,969,083	-	105,969,083
Offshore investments	-	25,300,318	25,300,318
Deposits with financial institutions	121,823,833	-	121,823,833
Corporate bonds and loans	421,906	-	421,906
Cash and bank balances	6,870,355	-	6,870,355
Total assets	280,287,401	76,233,773	356,521,174

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	108,606,220	-	108,606,220
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	267,180,286	71,722,067	338,902,353

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 capital management remains within the company's set appetite, as defined in the capital management framework, and hence its risk-adjusted capital position continues to reflect the "strongest' category as defined by A.M. Best. The objective of the framework is to ensure that the company's risk-adjusted capital position remains at a sufficiently strong level. Management reviews the Company's risk profile in line with the Capital model which further supports decision making.

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.

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

	2020 US$	2019 US$
Share capital	57,983,758	57,255,956
Share premium	55,613,910	51,341,712
Property revaluation reserve	788,806	644,751
Investments revaluation reserve	(5,505,415)	(231,713)
Investment in affiliated companies revaluation reserve	9,185,139	7,743,605
Retained earnings	157,685,720	145,565,224
	275,751,918	262,319,535

Revenue account for the year ended 31 December 2020

Appendix I

Class of insurance Business	Property US$	Casualty US$	Motor US$	Marine US$	Aviation US$	Life US$	Medical US$	Total US$
Gross premiums written	94,001,138	42,402,479	12,473,098	10,369,720	9,529,451	15,867,809	23,515,955	208,159,650
Less: retrocession premiums	(37,353,414)	(15,396,116)	(817,077)	(2,798,352)	(8,859,912)	(2,897,662)	(928,643)	(69,051,176)
Net premiums written	**56,647,724**	**27,006,363**	**11,656,021**	**7,571,368**	**669,539**	**12,970,147**	**22,587,312**	**139,108,474**
Change in UPR	1,217,330	1,947,793	(447,126)	(48,498)	(86,473)	389,359	971,380	3,943,765
Exchange gains on revaluation of UPR	(1,094,914)	(2,104,336)	(89,392)	(86,377)	(1,167)	(215,830)	(389,290)	(3,981,306)
Net earned premiums	**56,770,140**	**26,849,820**	**11,119,503**	**7,436,493**	**581,899**	**13,143,676**	**23,169,402**	**139,070,933**
Gross claims paid	41,818,427	25,842,965	8,499,244	3,274,355	137,549	6,573,474	17,652,840	103,798,854
Change in gross outstanding claims	805,644	(1,330,633)	(3,032,440)	(977,035)	69,967	665,690	2,530,583	(1,268,224)
Exchange gains on revaluation of outstanding claims	1,621,556	1,159,690	1,815,973	489,415	854	90,285	207,980	5,385,753
Less: amounts recoverable from retrocessionaires	(8,489,906)	(7,531,006)	(272,791)	92,029	(20,866)	(521,443)	(1,080,775)	(17,824,758)
Net claims incurred	**35,755,721**	**18,141,016**	**7,009,986**	**2,878,764**	**187,504**	**6,808,006**	**19,310,628**	**90,091,625**
Commissions earned	(7,947,788)	(3,757,531)	(123,534)	(454,343)	(594,169)	(716,885)	(231,799)	(13,826,049)
Commissions expense	25,884,122	11,767,548	1,050,077	2,883,754	590,587	4,537,149	5,431,835	52,145,072
Charges and taxes	772,387	271,921	119,010	140,940	41,960	80,406	483,844	1,910,468
Expenses of management	3,717,412	1,676,866	493,267	410,086	376,856	627,515	929,972	8,231,974
Total expenses and commissions	**22,426,133**	**9,958,804**	**1,538,820**	**2,980,437**	**415,234**	**4,528,185**	**6,613,852**	**48,461,465**
Underwriting profit/(loss)	**(1,411,714)**	**(1,250,000)**	**2,570,697**	**1,577,292**	**(20,839)**	**1,807,485**	**(2,755,078)**	**517,843**
Key ratios:								
Loss ratio *(net claims incurred/net earned premium)*	63.0	67.6	63.0	38.7	32.2	51.8	83.3	64.8
Commissions ratio *(net commissions /net earned premium)*	31.6	29.8	8.3	32.7	(0.6)	29.1	22.4	27.6
Expense ratio *(management expenses/net earned premium)*	6.5	6.2	4.4	5.5	64.8	4.8	4.0	5.9
Combined ratio (underwriting outgo/net earned premium)	102.5	104.7	76.9	78.8	103.6	86.2	111.9	99.6

Revenue account for the year ended 31 December 2019

Appendix II

Class of insurance Business	Property US$	Casualty US$	Motor US$	Marine US$	Aviation US$	Life US$	Medical US$	Total 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

SCHEDULE OF MEMBERSHIP

Appendix III

Class	Shareholder	2020 US$	2020 Shareholding %	2019 US$	2019 Shareholding %
CLASS A	Kenya Reinsurance Corporation Ltd	11,101,187	19.15	10,962,115	19.15
	TDB	10,914,426	18.82	10,777,206	18.82
	Government of Rwanda	3,726,301	6.43	3,679,619	6.43
	PSSSF	2,428,080	4.19	2,397,553	4.19
	Government of Sudan	2,286,416	3.94	2,257,772	3.94
	National Insurance Corporation (T) Ltd	2,031,444	3.5	2,005,904	3.50
	Government of Djibouti	1,860,940	3.21	1,837,544	3.21
	Government of Zambia	1,528,151	2.64	1,508,938	2.64
	ZSIC – Pension Trust	1,467,654	2.53	1,449,268	2.53
	NICE	1,488,181	2.57	1,469,698	2.57
	Government of Kenya	498,687	0.86	492,417	0.86
	Sheikan Ins. & Reins. Ltd	425,606	0.73	420,274	0.73
	SOCABU	414,394	0.71	409,203	0.71
	COMESA Secretariat	381,246	0.66	376,453	0.66
	EMOSE	376,293	0.65	371,562	0.65
	Industrial Development Corporation - Zambia	327,187	0.56	323,073	0.56
	Government of Mauritius	264,486	0.46	261,161	0.46
	ZSIC Life	265,648	0.46	262,320	0.46
	CMAR (NY Havana)	248,367	0.43	245,244	0.43
	Société Nationale d'Assurances (SONAS)	177,836	0.31	175,608	0.31
	ZIC	131,873	0.23	130,215	0.23
CLASS B	Mayfair Insurance Company Ltd	745,343	1.29	735,972	1.29
	SORAS	523,251	0.9	516,673	0.90
	United Insurance Company Ltd	517,645	0.89	511,160	0.89
	Amerga	514,687	0.89	508,239	0.89
	Baobab Reinsurance Company Ltd	494,615	0.85	488,397	0.85
	Juba Insurance Company Ltd	420,695	0.73	415,425	0.73
	Blue Shield Insurance Company Ltd	377,702	0.65	372,953	0.65
	GXA	269,627	0.46	266,237	0.46
	Assurances BICOR	247,486	0.43	244,375	0.43
	Statewide Insurance Company Ltd	233,257	0.4	230,335	0.40
	SONARWA	146,160	0.25	144,322	0.25
	National Insurance Corporation (U) Ltd	129,288	0.22	127,663	0.22
	Apollo Insurance Company Ltd	126,575	0.22	124,984	0.22
	Sanlam General Insurance Uganda Ltd	115,294	0.2	113,845	0.20
CLASS C	African Development Bank	7,369,683	12.71	7,277,029	12.71
	DEG	3,408,047	5.88	3,365,200	5.88
	TOTAL	**57,983,758**	**100**	**57,255,956**	**100**

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 Reassurances (NY Havana)
NICE	=	National Insurance Corporation of Eritrea (Share) Company
COMESA	=	Common Market for Eastern and Southern Africa
DEG	=	Deutsche Investitions- und EntwicklungsgesellschaftmbH

A.M. Best Company

certifies that

ZEP-RE
(PTA Reinsurance Company)

has a

Best's Financial Strength Rating

of

B++ (Good)

Certificate Publication Date: November 4, 2020

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*

GCR RATINGS

Certifies that

ZEP-Re (PTA Reinsurance Company)

Has a
Financial Strength Rating of

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

01-Dec-20
DATE

Group Head of Ratings

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

HEAD OFFICE

NAIROBI, KENYA
8th Floor, ZEP-RE Place,
Longonot Road,
Upper Hill, Nairobi, Kenya
Phone: +254-020 4973000/2738221

REGIONAL HUBS

ABIDJAN, IVORY COAST
Cocody Canebière,
Cocody, Abidjan
08 BP 3791 Abidjan 08
Tel: +225 22 40 27 85

HARARE, ZIMBABWE
Joina City,
16th Floor - North Wing
Cnr Jason Moyo
and Inez Terrace,
Harare, Zimbabwe
Telephone: +263 4 777 929/932

COUNTRY OFFICES

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

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

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

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

www.zep-re.com