



CIC GENERAL INSURANCE (UGANDA) LIMITED

# Annual Report & Financial Statements

*for the year ended 31<sup>st</sup> December 2022*



# Domestic Package

*We keep our word*

Regulated by the Insurance Regulatory Authority of Uganda





# Motor Commercial Plus

*We keep our word*

Regulated by the Insurance Regulatory Authority of Uganda



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## Company Information

### Directors

**George William Inholo \***  
Chairman

**Sylvester Ndiroramukama \***  
Director

**Patrick Nyaga \*\***  
Director

**Sebastian O. Okot \***  
Director

**James Njue \*\***  
Director

**Josephine Nabuyungo \***  
Director

**Dan Badebye \***  
Director

**Douglas Ndawula \***  
Director

\*\* Kenyan  
\* Ugandan

### Senior Management

**Richard Ssevume**  
CEO / Principal Officer

**Nathan Ainembabazi**  
Ag. Head of Finance

**Sharon Oloya**  
Ag. Underwriting Manager

**Goretti Nakanwagi**  
Claims Manager

**Pheonah Tusiime**  
HR & Admin Manager

### Principal Place of Business and Registered Office

1<sup>st</sup> Floor, AHA Towers,  
Plot 7, Lourdel Road Nakasero,  
P.O. Box 34975,  
Kampala, Uganda.

### Company Secretary

Sebalu & Lule Advocates,  
Plot 14 MacKinnon Road,  
P.O. Box 2255,  
Kampala, Central Region, Uganda.

### Consulting Actuaries

The Actuarial Services Company Ltd,  
Victoria Towers, Upper Hill  
P.O. Box 10472 - 00100,  
Nairobi, Kenya.

### Principal Bankers

Centenary Rural Development  
Bank Limited,  
Plot 44-46 Kampala Road,  
P.O. Box 1892,  
Kampala, Uganda.

Equity Bank,  
Oasis Mall,  
P.O. Box 10184,  
Kampala, Uganda.

### Auditors

PricewaterhouseCoopers,  
Certified Public Accountants,  
10<sup>th</sup> Floor, Communications House,  
1 Colville Street,  
P.O. Box 882,  
Kampala, Uganda.

# Director's Report

The directors present their report together with the audited financial statements for the year ended 31 December 2022, which discloses the state of affairs of CIC General Insurance (Uganda) Limited ("the Company").

## Principal Activities

The principal activity of the Company is to transact all classes of general insurance business as defined by the Ugandan Insurance Act and is licensed by the Insurance Regulatory Authority of Uganda.

## Results

The Company's results of the year ended 31 December 2022 are shown in the statement of comprehensive income on page xxxviii.

## Dividends

The Directors of the Company do not recommend payment of a dividend in respect of the year (2022: nil).

## Directors

The directors who held office during the period and to the date of this report were:

Sylvester Ndiroramukama\*  
Patrick Nyaga \*\*  
George William Inholo\*  
Sebastian O. Okot\*  
James Njue\*\*  
Josephine Nabuyungo\*  
Dan Badebye\*  
Douglas Ndawula\*

\*\* Kenyan

\* Ugandan

## Auditor

The Company's auditor, PricewaterhouseCoopers Certified Public Accountants, was appointed in accordance with the provisions of Section 167(2) of the Ugandan Companies Act and Section 108 of the Ugandan Insurance Act.



## Who We Are

CIC General Insurance (U) Limited is a subsidiary of CIC Africa (U) Ltd. The company is also part of the larger CIC Insurance Group, a leading Cooperative Insurer in Africa, providing insurance and related financial services in Uganda, Kenya, South Sudan, and Malawi. The company is the leading agriculture insurer in Uganda.

Under this reporting period, CIC General Insurance (U) Ltd is licensed to underwrite Aviation Insurance, Engineering, Marine, Energy, Liability, Motor, Personal Accident, Workmen's Compensation, Theft, Fire, Agricultural, Bonds, and Miscellaneous classes of insurance.

## Our Purpose

A financial service industry institution predominately owned by the Co-operative Movement transforming lives.

## Our Mission Statement

**"To enable people achieve financial security."**

We are first and foremost a co-operative. This is our identity and heritage which we are unashamedly proud of. Consequently, we shall consider ourselves successful only when all our stakeholders achieve financial security on account of association with us.

## Why we exist

We operate in Uganda and the region using the co-operative model to ensure that we economically and socially transform our stakeholders by the Innovative Insurance solutions that we offer.

## Our Vision

**To be a world class provider of insurance and other financial services.**

Today's consumer has unlimited choices. Advances in technology have made it possible for consumers to enjoy products/services from all over the world. CIC acknowledges that to remain relevant our services must meet global standards.

## CIC Tagline/Slogan

**"We keep our word."**

We recognize that for our business to grow, we have a role to play in reversing the mistrust partly contributed by our own industry players through various malpractices such as mis-selling or failure to honour claims thus undermining the growth we so desire. We shall honour our promises to all our stakeholders.

## Value Proposition

**"To offer simple, flexible insurance and financial services built around our customers' needs."**

Our approach to business growth shall be research-driven. We shall seek to understand our customers and their needs, and innovatively develop appropriate products that address their needs, wants and desires.

## Integrity

Be fair and transparent.

## Dynamism

Be passionate and innovative.

## Performance

Be efficient and results driven.

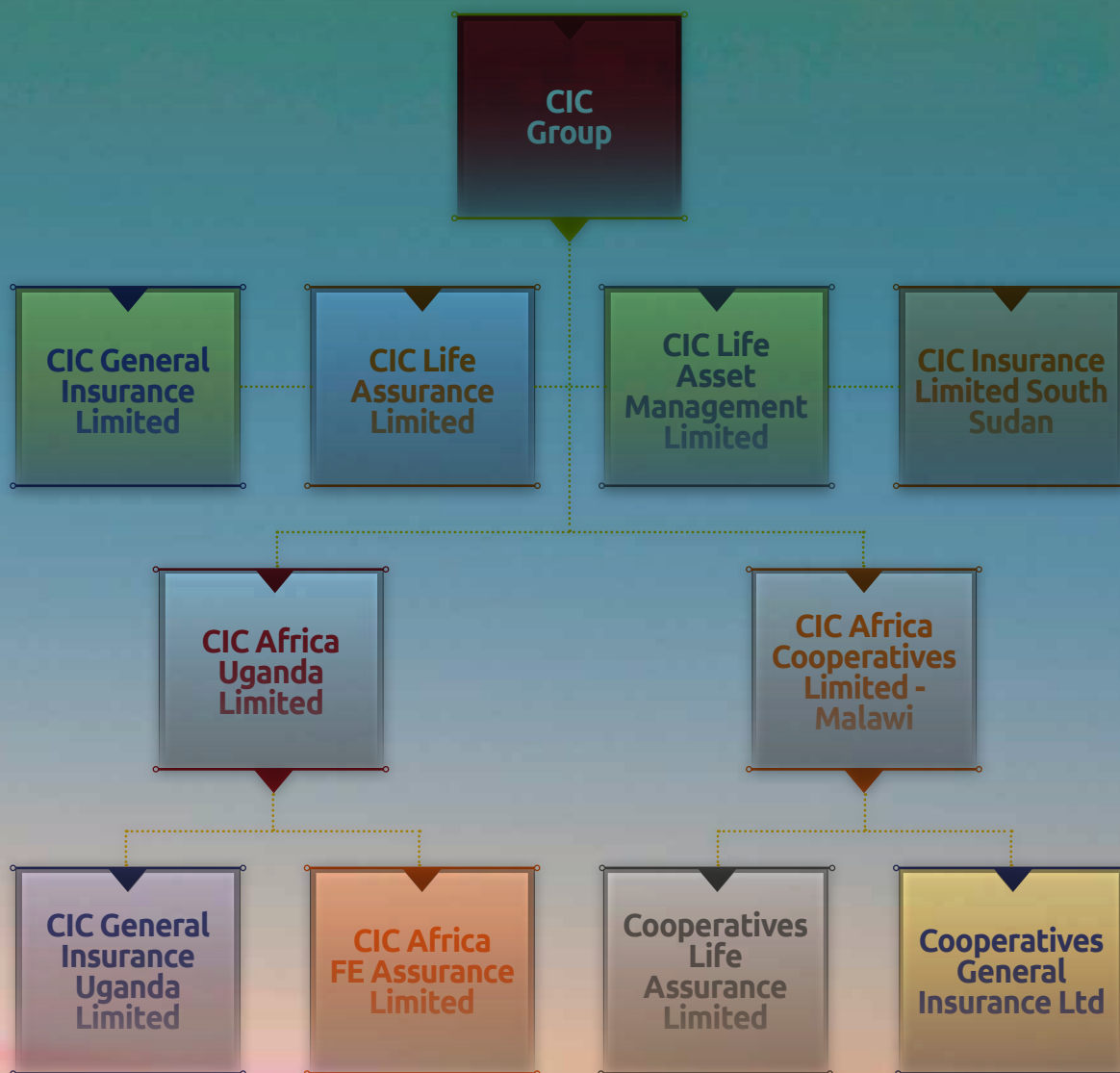
## Cooperation

Live the cooperative spirit.



# Our Group Structure

CIC General Insurance (U) Limited is part of a large group of companies



## How we Created Value for our Shareholders

Our Inputs - at Start of the Year	The process	Outputs - Value created - at End of the Year
<p><b>Financial Capital</b></p> <ul style="list-style-type: none"> <li>⇒ Shareholders' Equity - Ugx.12.9 Billion.</li> <li>⇒ Cash and cash equivalents - Ugx. 181 Million.</li> </ul>	<p><b>Value creation activities</b></p> <p><b>Our vision</b></p> <p>“To be a world-class provider of insurance and other financial services.”</p> <p><b>Our transformation agenda</b></p> <p>A transformation journey has earnestly started across the Group within the 2021-2025 strategy framework focusing on the 12 focus areas.</p> <p>We have set up strategic ambitions/ objectives for 2021- 2025 and various initiatives to achieve the set objectives. We have in place a robust strategy implementation and tracking framework.</p>	<p><b>Investors</b></p> <ul style="list-style-type: none"> <li>⇒ Shareholders' Equity – Ugx. 13.1 Billion.</li> <li>⇒ Investment in the oil &amp; gas consortium – Ugx. 190 Million.</li> <li>⇒ Cash and cash Equivalents - Ugx. 168 Million.</li> </ul> <p><b>Customers and partners</b></p> <ul style="list-style-type: none"> <li>⇒ Ugx. 6.4 Billion claims paid.</li> <li>⇒ Ugx. 4 Billion paid commissions to intermediaries.</li> </ul>
<p><b>Human Capital</b></p> <ul style="list-style-type: none"> <li>⇒ 27 empowered staff members and 23 agents.</li> <li>⇒ Strong leadership model with 5 members of senior management.</li> <li>⇒ Robust performance management framework – 4 reviews annually.</li> <li>⇒ Digital operating model and agile ways of working.</li> <li>⇒ Commitment to equal opportunities, safety and wellbeing.</li> <li>⇒ Digital up skilling and reskilling.</li> <li>⇒ Investment in training and development - Ugx 9.4 Million spent on staff training.</li> </ul>	<p><b>Our services and products to customers</b></p> <p>A wide range of products in:</p> <ul style="list-style-type: none"> <li>⇒ General Insurance.</li> <li>⇒ Individual Life.</li> <li>⇒ Group Life.</li> </ul>	<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>⇒ 25 members of staff and 38 agents.</li> <li>⇒ Ugx. 2.6 Billion salaries and benefits paid.</li> <li>⇒ Staff average tenure: 3.5 years.</li> <li>⇒ 5 middle and senior level managers trained on various leadership courses.</li> <li>⇒ Results from the 2022 staff engagement survey indicated a score of 73% against a target of 80%.</li> </ul>
<p><b>Manufactured capital</b></p> <ul style="list-style-type: none"> <li>⇒ Digital Channels- Agents portals.</li> <li>⇒ ICT infrastructure that cost over Ugx 868 Million (Core systems).</li> </ul>	<p>In pursuit of offering products that are responsive to market demands we reviewed various products to improve on product offering or distribution models.</p>	<p><b>Communities</b></p> <ul style="list-style-type: none"> <li>⇒ Held a first ever Sacco CEO's summit.</li> <li>⇒ Over 20 trainings for Cooperative Societies.</li> </ul>
<p><b>Intellectual Capital</b></p> <ul style="list-style-type: none"> <li>⇒ A trustworthy brand positioning that resonates with our customers ‘We keep our word’.</li> <li>⇒ Marketing campaigns and initiatives.</li> <li>⇒ Technology and process innovations and enterprise architecture.</li> <li>⇒ Specialized insurance and professional knowledge.</li> <li>⇒ Robust range of governance policies.</li> </ul>	<p><b>Governance and risk management frameworks</b></p> <p>Our strategic enablers</p> <ul style="list-style-type: none"> <li>⇒ Our people.</li> <li>⇒ Processes.</li> <li>⇒ Investments in technology.</li> </ul>	<p><b>Regulators</b></p> <ul style="list-style-type: none"> <li>⇒ Continuous compliance with all set laws and regulations.</li> <li>⇒ Income tax payments in 2022 - Ugx. 216 Million.</li> </ul>
<p><b>Social and Relationship Capital</b></p> <ul style="list-style-type: none"> <li>⇒ Extensive engagement with all our stakeholders.</li> <li>⇒ Socio - economic - environmental sustainability initiatives through the CIC Group Foundation.</li> </ul>		

# Our Operating Environment

## KEY INDUSTRY TRENDS

### Economic Outlook

#### Gross Domestic Product (GDP)

Real GDP growth is now forecast in the range of 5-5.3 percent for FY 2022/23 driven by the investments in the Oil sector which has seen recent upsurge in Foreign Direct Investments and economic activity. Growth could be lower than projected should the Ebola epidemic worsen, implementation of oil-related projects be delayed, financial conditions and fiscal policy get much tighter or a global recession materializes.

The stock of total public debt was estimated at 49 percent GDP and external debt component continues to dominate at about over 60 percent.

#### Inflation

Domestically, signs are clear that inflation is losing momentum. Indeed, annual headline and core inflation respectively edged down to 10.2 percent and 8.4 percent in December 2022 from 10.6 percent and 8.8 percent in November 2022, driven down by a continued fall of inflation for the Electricity, Fuel and Utilities (EFU) and drop of services inflation.

The Bank of Uganda assessed that inflationary pressures are fading and the outlook to inflation was relatively favourable compared to what was envisaged at the October 2022 Monetary Policy Committee (MPC) meeting. Nonetheless, significant uncertainty existing around the outlook, the MPC decided to maintain the Central Bank Rate at 10 percent and the band on the CBR at +/- 2 percentage points. (Source: Uganda Bureau of Statistics).

#### Currency

The Uganda Shilling remained relatively stable against the dollar and strengthened in December 2022 supported by tight financial conditions, inflows from offshores, seasonal inflows from remittances, coffee receipts and NGOs. The shilling appreciated by 1.6 percent in December 2022, though was 5.9 percent weaker compared to the same period last year. US dollar averaging at Ushs. 3,713.30 per US dollar at end of December 2022. (Source: Bank of Uganda).

## OUR KEY STAKEHOLDERS AND PARTNERS

CIC General Insurance (U) Limited recognizes that effective management of stakeholders will positively impact the company's achievement of its strategy and long-term growth. Stakeholders are considered to be any group who can affect, or be affected by the Company, its decisions and its reputation.

Stakeholder Category	Description	Material Interests	How we Engage
Customers	Our customers range from our own shareholders i.e. the co-operative movement and its membership, to corporate clients, to individuals – ranging from high net worth to the lowest income individuals in society. This is not only reflective of our adaptability as an insurer, but confirms our mission of providing financial security to all people	Our customers are interested in: <ul style="list-style-type: none"> <li>⇒ Quality Products &amp; services offerings.</li> <li>⇒ Availability and accessibility of our products and services.</li> <li>⇒ Seamless processes and communication at every touch point.</li> </ul>	We engage our customers via: <ul style="list-style-type: none"> <li>⇒ Regular customer surveys.</li> <li>⇒ CIC website.</li> <li>⇒ Various direct customer engagement forums e.g. product trainings/ member education forums.</li> </ul>
Shareholders & Investor Community	Our shareholding structure as at 31st December 2022 was as follows: <ul style="list-style-type: none"> <li>⇒ Local institutional investors - 100%</li> </ul>	Our shareholders and the investor community expects sustainable growth & sound risk management among others. <ul style="list-style-type: none"> <li>⇒ Stable dividends pay out.</li> <li>⇒ Sound corporate governance practices.</li> <li>⇒ Experienced management &amp; transparency in executive remuneration.</li> </ul>	CIC is committed to engage our shareholders & investors through: <ul style="list-style-type: none"> <li>⇒ Annual General Meetings with shareholders to update them on our business strategy.</li> </ul>

## Our Key Stakeholders and Partners (continued)

Stakeholder Category	Description	Material Interests	How we Engage
<b>Employees</b>	CIC in Uganda has 25 staff members 100% of whom are on permanent and pensionable terms of employment. The ratio of male to female stands at 52:48. The company remains committed to ensure that gender parity is maintained.	<p>Employees are interested in having:</p> <ul style="list-style-type: none"> <li>⇒ Clear career path.</li> <li>⇒ Health and safety in the workplace.</li> <li>⇒ Equitable remuneration. Opportunities for learning and development.</li> <li>⇒ Clear, fair and equitable performance management framework.</li> </ul>	<p>We believe that fully engaged employees will serve our customers well. Employee engagement is maintained via:</p> <ul style="list-style-type: none"> <li>⇒ Employee town halls.</li> <li>⇒ Internal newsletters/publications.</li> <li>⇒ Internal website.</li> <li>⇒ Employee surveys.</li> </ul>
<b>Regulators &amp; Government</b>	The primary regulator of the insurance industry is The Insurance Regulatory Authority of Uganda (IRA). Other regulators that supervise different aspects of the company include Uganda Revenue Authority, Uganda Registrations Services Bureau, Financial Intelligence Authority and among others.	<p>The government and regulators expect CIC Life to run its business sustainably and in compliance with all set laws and regulations while:</p> <ul style="list-style-type: none"> <li>⇒ Promoting opportunities for job creation and socioeconomic development.</li> <li>⇒ Protecting consumer interests on service quality, costs and privacy.</li> <li>⇒ Contributing to the tax base.</li> <li>⇒ Being involved in industry discussions and thought leadership.</li> </ul>	<p>Our engagement with the government &amp; various regulators include:</p> <ul style="list-style-type: none"> <li>⇒ Participation in consultations and public forums.</li> <li>⇒ Engagement through industry consultative bodies.</li> <li>⇒ Provide inputs for new/proposed legislation(s).</li> <li>⇒ Publication of policies and research engagements.</li> <li>⇒ Timely submission of the required reports.</li> </ul>
<b>Co-operative Movement</b>	<p>The co-operative movement in Uganda comprises 29,982 co-operatives as at 30th June 2021; 36% are involved in savings and credit services (Saccos), 34% in agriculture, 21%, in Emyoga and Others 8%.</p> <p>These cooperatives account for 5% of CIC shareholding in our parent company and 13% of the company's gross revenue.</p>	<p>The Cooperatives movement as a major shareholder are interested in consisted growth of the business and sound investments policies.</p> <p>As customers they are interested in:</p> <ul style="list-style-type: none"> <li>⇒ Quality Products &amp; services offerings.</li> <li>⇒ Availability and accessibility of our products and services.</li> <li>⇒ Seamless processes and communication at every touch point.</li> </ul>	<p>We engage the Cooperative movement stakeholders through:</p> <ul style="list-style-type: none"> <li>⇒ Regular delegates meeting.</li> <li>⇒ Targeted trainings.</li> <li>⇒ Attendance of their AGMs.</li> <li>⇒ Annual Cooperatives CEOs' summit.</li> <li>⇒ The CIC website.</li> </ul>
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## Our Key Stakeholders and Partners (continued)

Stakeholder Category	Description	Material Interests	How we Engage
Community	We remain cognizant of the impact our business has on the community. As a co-operative, we continue to go beyond our call of transactional responsibility to our customers and respond to needs of the most vulnerable around us through sponsorships and donations to groups such as rotary, churches, children homes and underfunded slum/rural schools.	<p>The community at large expects CIC to:</p> <ul style="list-style-type: none"> <li>⇒ Provide access to quality financial protection and investment products.</li> <li>⇒ Promotion of ethical practices and preservation of the environment.</li> <li>⇒ Give back or add value to the community.</li> </ul>	<p>Our community engagement platforms include:</p> <p>Corporate Social Responsibility (CSR) activities</p> <ul style="list-style-type: none"> <li>⇒ Public participation in projects and initiatives that give back to the society such as participation in the cooperatives week activities.</li> </ul>

### OUR TOP RISK AND OPPORTUNITIES

The insurance industry in Uganda is currently under the full risk based supervision regime. As such, the company has a robust risk function that tracks all the risks using comprehensive risk registers. CIC has adopted an Enterprise-wide (ERM) approach to risk management which enables the company to create a standardized risk management approach across its subsidiaries. In addition, the company's subsidiaries are regulated and the risk classification and mitigation is informed by the regulatory guidelines.

The Board of Directors and Management considered the below as key risks the business is exposed to and there is continued effort to reduce this exposure to manageable levels.

Key Risk Description	Impact	Mitigation
<p><b>Insurance Risk:</b></p> <p><b>Context:</b> Insurance Risk would be as a result of inappropriate reinsurance, reserving, underwriting, claims management, product design and pricing.</p> <p><b>Opportunity:</b> This risk gives us insight into market development and gives us the opportunity for product development and pricing adjustment.</p>	<p>This impacts business performance since it results in poor core business outcome which in turn affects strategic objectives.</p>	<p>We engage in reviews of the business performance using the Key Risk Indicators and realignment of any business to the tolerance and appetite as guided by the board. Strong controls are in place to guide product pricing and business rating.</p>
<p><b>Regulatory Risk:</b></p> <p><b>Context:</b> Being a parent of regulated entities the company is subject to changing regulatory requirement and increased reporting requirements.</p> <p><b>Opportunity:</b> We are keen on 100% compliance and by focusing on regulatory compliance was continue to strengthen our control environment to build a more resilient brand.</p>	<p>Our regulatory environment is complex and in the current year we experienced increased regulatory risk due to change in laws and regulation; the issuance Anti Money Laundering and Counter terrorism Financing guidelines for the Insurance Industry, the Data Protection Act and International Financial Reporting Standards Changes.</p>	<p>CIC has built a compliance culture and compliance is monitored through a well-established compliance model. The company has mapped out compliance requirement to anticipate regulatory deadlines and ensure full implementation and 100% compliance with new requirements.</p>
<p><b>Financial / Credit Risk:</b></p> <p><b>Context:</b> This is a risk that a counter party will be unable to pay amounts in full when due. These may arise out of insurance/reinsurance contracts, cash at bank, deposits with financial institutions.</p> <p><b>Opportunity:</b> Continuous engagement with customers and understanding the customer needs to form a long-lasting partnership and retain business. The investment counter party risk has provided us the opportunity diversify the investment portfolio ensuring sustainable investment income.</p>	<p>High amount of Insurance premium receivables or reinsurance claims receivables impact business solvency negatively under the Insurance Risk based Capital Requirements.</p> <p>Any credit resulting in failure of the investment counterparty has an impact of the Balance sheet. This further has impact on the Sustainability of competitive returns for customers and investors of our Asset Management business.</p>	<p>The company carries out its insurance business on a "cash and Carry" basis and further has a strict credit risk management framework.</p> <p>The company also minimizes its investment counter party risk through robust Investment Policy statement, that guides on investment grade assets / counter parties and give allowable ranges for all investment asset mix.</p>

### OUR TOP RISK AND OPPORTUNITIES (continued)

Key Risk Description	Impact	Mitigation
<p><b>Operational Risk - ICT Risk:</b></p> <p><b>Context:</b> This is the risk that failure of systems would leave the company exposed; the company operates in a highly digitized environment and thus keeps a close eye on its ICT environment as it is a key business enabler.</p> <p><b>Opportunity:</b> Moving the business to a highly digitized level with robust ICT features and enabling security framework.</p>	<p>Any systemic event that results in power or internet outage, external cyber-attack or internal ICT breach could result in service interruption, breach of confidentiality and loss of client, transaction and investment data.</p> <p>This would have a negative impact on our revenues, customers, reputation and leave us vulnerable to fraud.</p>	<p>CIC has strengthened its ICT environment by investing in better systems and data protection add-ons to ensure our operating environment is hardened against any attacks.</p> <p>We have also implemented a robust BCP and a contracted a state-of-the-art DRP center to ensure that we are able to recover our data in case of loss of primary data site.</p>
<p><b>Related Party Risk:</b></p> <p><b>Context:</b> This is the risk that in a Group setting subsidiaries will expose related parties to Risks due to their own internal weakness, operating environment and interparty transaction.</p> <p><b>Opportunity:</b> The Group is exposed to various regulatory requirements and standards which present an opportunity for adopting best practice across all subsidiaries.</p>	<p>This has a high impact on reputation risk for related parties and permeates to the sustainability of the Group and related entities.</p> <p>This also impacts regulated entities and where related party transactions are not at arm's length regulatory citations and penalties are levied.</p>	<p>The Group has adopted an Enterprise-Wide Risk Management model; this allows for harmonization of operating and compliance standards across the group.</p> <p>There is also in place a detailed related party transaction policy that governs all matters relating to the subsidiaries within the group.</p>



The Group has adopted an Enterprise-Wide Risk Management model; this allows for harmonization of operating and compliance standards across the group.

## Our Key Stakeholders and Partners (continued)

### Our Sustainability Agenda

Our three key pillars of sustainability are Social, Economic and Environment. Their focus ensures we enhance our relationship with our stakeholders.

In our business model as we offer insurance solutions CIC is continuously contributing to the Country's economic empowerment agenda. This we do as we mitigate and cushion customers from risk. In the year 2022, we paid a total of Ugx. 6.4 Billion in claims in line with our vision of enabling people achieve financial security.

Agriculture is the backbone of Uganda's economy and eighty percent of Uganda's land is arable. In FY 2021/22, agriculture accounted for about 24.1% of GDP, and 33% of export earnings. The UBOS estimates that about 70% of Uganda's working population is employed in agriculture. Uganda produces a wide range of agricultural products including: coffee, tea, sugar, livestock, fish, edible oils, cotton, tobacco, plantains, corn, beans, cassava, sweet potatoes, millet, sorghum, and groundnuts. CIC General Insurance (U) Limited contributed to the transformation of agriculture in Uganda by providing agriculture insurance and contributing over 60% of the total gross written premium under the national agriculture insurance consortium to over 300,000 farmers across the country.

We have also contributed to the economic empowerment of our staff and intermediaries. For the reporting period we paid a total of Ugx. 2.6 Billion in staff salaries & benefits and commissions to our intermediaries totaling to Ugx 4Billion. We directly contribute to national revenue through payment of corporate taxes. In the year 2022 we paid income and other taxes of Ugx 216.6 Million.

Environmental conservation is an integral part of our business strategy. To contribute to nature's well-being, CIC staff participated in the 2022 cooperatives week activities of planting trees and cleaning city markets in conjunction with Uganda Cooperative Alliance.

On social sustainability, CIC General Insurance (U) Limited has put in place frameworks that promote social justice on critical social matters such as gender balance in our staff, management and board. As at December 2022 the ratio of female to male employees was 48.52. Our human resource policy is very clear on fairness and justice. CIC is an equal opportunity employer and therefore shall not prejudice against race, color, language, nationality, pregnancy, marital status, HIV status, ethnic background, social, gender, age, health status, disability and religion in all employment matters. This is demonstrated through daily application of the policies as we run the business operations and various employee/employer engagements. We have a policy on zero tolerance for corruption and ensure integrity is upheld in engagements with all our stakeholders e.g. staff, suppliers and various engagement partners. In the year ended 2022 we had no staff exit on the basis of fraud.

We have also contributed to the deepening of the insurance penetration through engagements with customers and partners. Specifically, we have had several engagements with over 1,000 cooperatives in Uganda from all the regions of Uganda by attending their AGMs to carry out trainings on our products and insurance as a whole.



**Agriculture is the backbone of Uganda's economy and eighty percent of Uganda's land is arable.**

### Chairman's Message

Customers shall be our first priority and their voices shall feature in our Board rooms and constitute everything we do.



**George William Inholo**  
Chairman

#### Dear Stakeholders,

Our focus into the new year is consistent growth of GWP, significant waste reduction and an awesome customer experience while enabling a decent return for the shareholders.

With a stronghold base of over 29,000 cooperatives registered in the Country, CIC shall ensure customized products and service offering to tap into this existing opportunity.

#### Governance:

Delighting to share that the Company is headed by a fully functioning Board which ultimately is responsible for the management, general affairs, direction and performance and for the sustainability of the Company.

On Compliance, the Board continues to ensure that the company is fully compliant with URA, URSB, FIA and IRA regulatory framework. We consider compliance to regulatory framework to be extremely important in turning round the business and its long term sustainability

The following Committees – Finance & Investment, Risk, Audit, HR, Governance and Remuneration committees are fully constituted and this forms the bulk of the Board working and execution. In the 2023, Audit committee shall be reconstituted to have three independent persons not part of the board included as committee members to improve independence of the committee.

Gender balance and diversity has been practiced in both senior management and Board appointment and shall be a key factor to consider at recruitment.

### Chairman's Message (continued)

#### Risk

Currently CIC General is under full risk based supervision by both the Risk & audit committees of the Board. Risks to our Customers are cushioned and mitigated as per established guidelines in our risk charter.

#### Sustainability

We will consciously continue to invest in 3 broad areas of with greater impact to our economy, and uplift our social impact and promote environment protection through our daily activities.

On Environment protection, we focus to raise the bar on waste management, recycling and emergency preparedness through our engagement with the public and local communities where we do business.

On the social front, employee health and safety shall be our focus. We will also engage in activities that promote health and safety say for instance provision of adequate lights in offices, emergency exits, wet floor signages, proper safe walkways, security light and surveillance cameras as examples and proper disposal of sanitary ware and accessories.

Health and HIV at the work place shall be given prominence to ensure sustained staff productivity.

#### Outlook

As evidenced from the business performance for 2022, its clear the company has turned the corner having posted profitability after tax and is now on trajectory for sustained growth this year going forward.

We invite the business community to use this opportunity to take on our various range of products and cover your risks which could otherwise impair business growth and development

#### People

The team Under the able leadership of the CEO is committed to the laid out Company's strategic plan and its execution to produce the required results. New products have been enlisted to cover a broader range of risk cover.

Important on our agenda is the on the customer service and satisfaction. Customer service shall guide everything we do. Without our customers, we are doomed. Customers shall be our first priority and his/her voice shall feature in our Board rooms and shall constitute everything we shall do. At the end of it all, we shall work tirelessly to give the business community an unrivalled and friendly customer experience. To this extent we shall keep our word!

#### Appreciation

We are very grateful to our existing customers and those to board soon for their support and loyalty and confidence to CIC General Insurance. Thank you for doing business with us and looking forward to being of greater service to you, your other business associates in the future.

### Chairman's Message (continued)

We would like to appreciate the shareholders for their undivided commitment and investment into the Company.

We also would like to appreciate the Management Team and staff for their continued efforts and service to the company as the success and future of the Company largely depends on their execution effort and abilities.

And lastly we value the contribution and guidance we continually receive from IRA which has enabled us to run the company on a sound professional values and standards. With their continued guidance, we are optimistic that the sky shall be our lower limit as we keep our word to our business partners!

**For God and country.**

**George Inholo  
Board Chairman.**

## Board Members' Profiles



**George William Inholo**  
Chairman **1**



**Sylvester Ndiroramukama**  
Director **2**



**Patrick Nyaga**  
Director **3**



**Sebastian O. Okot**  
Director **4**



**James Njue**  
Director **5**



**Josephine Nabuyungu**  
Director **6**



**Dan Badebye**  
Director **7**

### **1** George William Inholo Chairman

Age 58 years, George joined the CIC in February 2020, as a board member on CIC general business board and then later appointed to serve on the Audit and risk committee. George is an economist and social administrator by training with multiple post graduate qualifications in the fields of Project management, General management skills, Hospitality, Health safety and environment, Negotiation skills and Product Marketing. He is the chairman of orange residence and business center in Kampala, the Chairman of Genesis Arcade complex (shopping mall, apartments and real estate, he is a Rotarian. George brings on board 33 years of professional corporate experience in hospitality management with ITT Sheraton International, 11 years in Sub Sahara Africa, Middle East & Europe, 16years with Unilever global FMCG company operating in over 100 countries, as well as manufacturing sector with Uganda clays where he has been the Managing Director for 6 years (2014 -2020).



**Douglas Ndawula**  
Director **8**

### **2** Sylvester Ndiroramukama Director

Mr. Sylvester Ndiroramukama is the Chief Executive Officer for Uganda Cooperative Savings and Credit Union. He has got a wealth of experience in Research Methodologies, Product Development, and Financial analysis and on spot Technical Assistance and Mentoring to SACCOS and microfinance. He has designed training materials, conducted, managed and supervised training programmes for SACCOS in Product development, Financial analysis, Marketing, Strategic planning, ownership and governance all aimed at building the capacities of these organizations. Mr. Ndiroramukama has got hands on experience in project management and reporting skills, negotiation and communication skills, accounting and financial management skills. Mr Ndiroramukama has a Bachelor of Commerce (Accounting) Degree from Makerere University, Diploma in Microfinance from Uganda Institute of Bankers, Higher Diploma in Marketing from Uganda College of commerce Aduku, Postgraduate Diploma in Project Planning and Management (PGD-PPM) from Uganda Management Institute. He is a Certified Public Accountant of ICPAU. Pursuing a Masters in Management Studies (Project Planning and Management) at Uganda Management Institute.

### **3** Patrick Nyaga Director

Mr. Patrick Nyaga is the CIC Group Chief Executive Officer. He holds a master of Business Administration from Strathmore Business School and a Bachelor of Commerce Degree in Accounting. He is a Certified Public Accountant (K) and a member of ICPAK. Mr. Nyaga has over 29 years of working experience mainly in banking and auditing. He has worked in various senior positions in banking. Prior to joining CIC Group Ltd, he was the Group Finance and Strategy Director - at Cooperative Bank of Kenya Limited. He previously worked at Barclays Bank now (ABSA) as the Regional Head of Assurance and at KPMG (EA), with the main focus being the audit of financial institutions in Kenya and the region. He is a member of the Institute of Directors of Kenya and has undertaken training in several Corporate Governance courses including in Insurance Business.

### Board Members' Profiles (continued)

#### **4 Sebastian O. Okot** Director

Sebastian, aged 65, joined the CIC board in 2008 as an independent non-executive director. Currently he is in private agribusiness. He holds a BSc in Economics and Mathematics and Postgraduate Certificate in Project Planning and Management of Makerere University and MBA (Management) of Ndejje University, Uganda. He was on the Board of Trustees of Non-Performing Assets Recovery Trust (NPART) in 2006-2007 and on board of directors of PostBank Uganda Ltd (2013-2019) where he chaired the board's HR and Remuneration Committee, Credit Committee and was board Committee member of the Audit Committee and the Operations Committee. He has 21 years of experience in commercial banking having worked with then Uganda Commercial Bank (1981-2002) rising from Trainee to Chief Manager where he was involved in operations, treasury functions, inspection, supervision etc. He has attended a number of trainings in banking, strategy, budgeting, audit issues, corporate governance etc in Uganda, Kenya, Zanzibar, South Africa and the UAE. He is also a member of the Institute of Directors (IoD) (Kenya).

#### **5 James Njue** Director

Mr. James Njue Njiru aged 53, is the director representing Eastern Region-based societies. He is the Chairman of the Nawiri Sacco Society. He is also a Director of Co-op Holdings Co-operative Society and the Cooperative Bank of Kenya Ltd. Mr. Njiru is a Board of Management member for various schools in the Eastern Region. He holds a diploma in Business Management from the Kenya Institute of Management.

#### **6 Josephine Nabuyungo** Director

Ms. Nabuyungo is a board member of CIC General Insurance. She is a strong co-operator who has served the cooperative movement at international, Continental, and National levels. She holds a Bachelor of Education - Makerere University, Diploma in Education - Nagongera National Teachers' College, Grade III Certificate - Buwalasi T.T.C, Grade II Certificate - Sancta Maria Primary Education. From 2015 to 2019, she served as a Director at CIC Africa (Uganda) Limited. She is a seasoned educator with specialization in Primary and Teacher Education. She is currently involved in Education Development work as a Head Teacher of St Joseph's Mixed Primary School Naggalama since 2003 to date. She served as the Chairperson of African Confederation of Savings and Credit Associations (ACCOSCA), Treasurer Uganda Co-Operative Savings & Credit Union, Chairperson Mukono Kayunga Teachers' SACCO, Chairperson UNATU Central Region, Chairperson East African Women Network, President Primary Head teachers Association Mukono for 12 Years, Vice Chairperson Uganda Primary Head teachers Association, Member Board of Governors of two Catholic Schools, Secretary to Naggalama Parish Catholic Pastoral Council, In Charge CARITAS Lugazi Diocese. She has specialization in Education Administration and Planning, Policy, Planning and Advocacy, including in Financial Management of Income Generating Activities. She has had numerous exposures in organizational Psychology through experience, training, conferences and symposia both locally & internationally.

#### **7 Dan Badebye** Director

Mr. Badebye joined CIC General Insurance Uganda Ltd in 2022 and sits on the Audit Committee and Investment Committee. He is a partner at Bawunha and Badebye Certified Public Accountants and he is also the Director of Finance at Uganda Christian University. With over 20 years' experience, he has served as Director Finance and Administration of the Uganda Retirement Benefits Regulatory Authority, Head of Finance at National Drug Authority, Head of Support Services at Baylor - Uganda and Head of Finance at Uganda Management Institute. He holds a bachelor's degree in Commerce of Makerere University and a master's degree in Business Administration jointly awarded by the East and Southern Africa Management Institute (ESAMI) and Maastricht School of Management (MSM). He is a Fellow of the Association of Chartered Certified Accountants (ACCA), a Member of the Institute of Certified Public Accountants of Uganda (ICPAU) and graduate of the Institute of Chartered Secretaries & Administrators (ICSA). Dan N Badebye serves on the Member Services Committee of the Institute of Certified Public Accountants of Uganda (ICPAU). He also served as the Chairman Board of Directors of the CPA Cooperative Society Ltd.

#### **8 Douglas Ndawula** Director

Douglas Ndawula Kakyukyu aged 46 years joined the Board in 2022 as an Independent Non-Executive Director. He holds; a master's degree in business administration (Project Planning and Management) of Makerere University, a Bachelor of Engineering in Mechanical & Manufacturing Engineering (Hons) of Kyambogo University plus many other diplomas and professional certificates. He is a member of the Institute of Corporate Governance. The Director has over 21 years' experience in the fields of; strategic planning, policy formulation and implementation, management, engineering, manufacturing, health and safety management, human resources management, marketing and distribution, etc. He has worked as a General Manager for Wavah Water Limited, and worked for; British American Tobacco Limited, Hima Cement Limited, Cotton Development Organization, Uganda Ginners and Cotton Exporters Association, Sugar Cooperation of Uganda and currently, he is the Chief Executive Officer of Soroti Fruits Limited, the makers of Teju Juices.



# CIC Motor Private Prestige

*We keep our word*

Regulated by the Insurance Regulatory Authority of Uganda



CIC INSURANCE

## CEO's Message

Our Staff and Management team are keen to ensure that we continue to be prudent while underwriting and choosing investment options so that we enhance our profitability and be able to provide a good return to our shareholders.



**Richard Ssevume**  
CEO/Principal Officer

### Dear Stakeholders,

The year 2022 has been one of great transition where we have continued to see a shift from lockdowns and social distancing to a still evolving new normal and most of the world returning to in-person gatherings. While the problems and challenges that have challenged the Ugandan insurance industry and the macroeconomic environment have remained, we, as a company, have adopted a hybrid model with regular opportunities to work collaboratively in the office, together with our colleagues and clients to ensure that we continue to grow, improve our profitability, and deliver on our financial and non-financial targets. Despite a great deal of uncertainty in the macro climate; from inflation to the war in Ukraine, to potential economic downturn, our business model remained resilient. Our 2022 achievements also included reinforcing our CIC sustainability commitments, onboarding an impressive number of professionals, and elevating our people and client experience.

I am delighted to present to you our Company's Report for the period ended 31st December 2022. Looking back on 2022, we take pride in our collective achievements that have seen us help people achieve financial security and we continue to keep our word.

### Financial Performance

- ⇒ Gross written Premiums grew by **↑ 25%** from **UGX 24.3Bn** to **UGX 26.5Bn**
- ⇒ The company registered a Profit after tax of **↑ UGX 143M** in the year **2022** compared to a loss of **UGX 69M** in **2021**.
- ⇒ Net earned income increased by **↑ 2%** from **UGX 7.4Bn** in **2021** to **UGX 7.5Bn** in **2022**.

**Our combined ratio for 2022 improved from 117% in 2021 to ↑114% in 2022.**

Our main sources of business include banks, brokers and Agents and we continue to appreciate all their support that has seen us reach this far. We are part of the agriculture consortium, Insurance consortium for Oil & Gas (ICOGU), Motor third party insurance platform and the compulsory Marine Cargo insurance for all importers.

Our staff and Management team are keen to ensuring that we continue to be prudent while underwriting and choosing investment options so that we enhance our profitability and be able to provide a good return to our shareholders.

### Boosting our competitive advantage

With a long-term vision to be a world class provider of insurance and other financial services, we continued to deliver on our disciplined client acquisition strategy to expand into new markets, gain competitive advantage and acquire new skillsets.

### CEO's Message (continued)

We have grown our Business Development and sales teams to include specific attention to bancassurance, retail, broking, and cooperatives where we have grown, trained and retained our key resources, boosting our expertise in the Insurance services sector.

We have also deepened our local presence through the onboarding of numerous outlets in different parts of the country, embraced digitization through allowing mobile payments and improving our website, and by so doing, made it convenient for customers to communicate and relate with us thus improving our market share.

#### Enhancing our client experience

Since we aim to become a world class provider of insurance and financial services, we are committed to elevating our client partnership further to a new level by fully embracing our role as a trusted partner. To ensure we are our clients' number one choice, we continue to focus and make headway on our regional Client Program and Client Feedback initiatives. In 2022, we grew our key accounts and boosted client satisfaction as per our internal customer satisfaction survey where we scored 83% a score that we are committed to improving to 100% as we continue to grow.

#### Pursuing purpose-driven growth

Despite the challenging macroeconomic context, we are well positioned to meet the challenges we will face in 2023 and after. We will continue our journey by ensuring that all our staff understand the value that we intend to give to our customers through financial security and ensuring that we have relevant products that meet our customer expectations to optimize our business and leverage our scale and scope. One reason we're so excited about the future is that our purpose, business strategies and ambitions align with our niche market (cooperatives, banks and brokers) within our industry.

#### Future outlook

As we look to the future, we are determined to grow our business, and have taken steps to ensure that we not only grow in the present, but also prosper in the future.

We note that the International Accounting Standards Board has released IFRS 17 as a new reporting standard which is one of the most comprehensive technical standards released to date. CIC General Insurance and its Associates therefore have less than 9 months to implement IFRS 17.

The Board and Management have already undertaken a review of our strategy session agreed on how we shall ensure that the company continues to be performing well and sustainably. We are also keen to strengthening our business relationships with our intermediaries, customers, and other stakeholders to ensure growth, profitability and return better value for our shareholders.

To all our shareholders and partners, you are our key supporters and the heartbeat of this company. Your support is paramount to this organization's success. We stand by our promise, to keep our word and live by our values of dynamism, integrity, performance, and cooperation. With this, we know that in the event of experiencing tough market conditions, the CIC flag shall forever fly high.

#### Acknowledgement

We thank our customers, intermediaries and shareholders for the support given to the business. We also thank our board, management, and staff of CIC General Insurance (U) Limited for their continued hard work, loyalty and commitment to the company that has enabled us to reach this far. We encourage all our shareholders to continue supporting the business as management is already committed to ensuring that the business drive more profits and provides a good return on your investment. We are confident that the future is bright as we get into 2023 and beyond.

**God bless you all!**

**Richard Ssevume**  
**Principal Officer / CEO**



# Travel Insurance Cover

*We keep our word*

Regulated by the Insurance Regulatory Authority of Uganda



Senior Management Profiles (continued)



**1** Richard Ssevume  
CEO / Principal Officer

Richard Ssevume is the Chief Executive Officer- CIC General Insurance. He joined CIC General Insurance in December 2021 as Underwriting Manager. He holds a Bachelor of Science Degree in Actuarial Science from Makerere University, an Advanced Diploma in Insurance from The Chartered Insurance Institute of London (CII) and is a Chartered Insurer for both The Chartered Insurance Institute of London and The Insurance Training College of Uganda. Richard has over 5 years' Managerial Experience in Insurance Underwriting and has previously worked with UAP Old Mutual Uganda Limited and Liberty General Insurance Uganda Limited. He is also currently a facilitator with the Insurance Training College of Uganda. Chief Commercial Officer – CIC Africa (U) LTD.

**2** Nathan Ainembabazi  
Head of Finance

Mr. Nathan Ainembabazi aged 30, joined CIC in April 2018 as a Credit Controller. He holds a bachelor's degree of Commerce from Makerere University and he's currently finalizing his professional ACCA qualification. He has 7 years of experience in financial reporting for insurance. He entered the insurance industry in 2015 through Lion Assurance Ltd as a finance and administration officer and rose to then position of Credit Control Officer at Sanlam General Insurance Ltd and later also served as the Credit Controller and later Accountant at CIC. He is currently the Deputy Finance Manager at CIC Africa (U) Ltd. He is also the treasurer at the CIC Staff Cooperative Society.

**3** Sharon Oloya  
Ag. Underwriting Manager

Sharon Oloya joined CIC General Insurance in April 2022 as an Acting Underwriting Manager. She joined with over eight (08) years of work experience in underwriting, reinsurance, business retention, facilitating trainings to fellow staff, pipeline business management for both new and renewals, among other roles and responsibilities. Sharon holds a Master's of Arts in Gender Studies from Makerere University. Her research thesis was on "Assessing Factors that Determine Women's Decision to Utilise Insurance Covers". She also holds a Bachelor of Arts in Social Sciences from University of Cape Town – South Africa. She has successfully pursued Insurance Professional courses from African Reinsurance Corporation in collaboration with London School of Insurance in Young Insurance Professional Programme and obtained respective certificates. She has attained multiple related short course trainings and she is currently pursuing professional studies in insurance from Chartered Insurance Institute (CII). She worked with UAP Old Mutual Uganda Limited as a Senior Underwriter Prior to joining CIC General Insurance (U) Limited.

### Senior Management Profiles (continued)

#### **4** **Goretti Nakanwagi** **Head of Claims**

Goretti is the Claims Manager CIC General Insurance (U) Ltd Goretti holds a bachelor's degree in Art and Public Administration (Hons) and a Master of Business Administration (MBA) from Makerere University. She is a Chartered Insurer from Chartered Insurance Institute, London, UK. She is a member of the Chartered Institute of Insurance London, Insurance Training College, WIN (Women in Insurance). Goretti also serves as a member on the technical team of the Uganda Insurers Association. In addition to her present role as the Claims Manager in CIC General Insurance a position she has held since 2018, she also acted as CEO CIC General Insurance (U) Ltd. Prior to joining the CIC Group, she was the Manager Operations of Alliance Africa General Insurance. Goretti has exposure of over 15 years as an insurance practitioner with sound technical, managerial and leadership skills. Most of the working vast experience is credited to her exposure with but not limited to Claims, underwriting, Strategy, risk management and Reinsurance..

#### **5** **Pheonah Tusiime** **HR & Admin Manager**

Pheonah Tusiime aged 38, is the Human resource & Administration Manager of CIC Africa (U) Ltd. She holds a Bachelors (Hons) in Business Administration Majoring in Accounting from Makerere University Business School (MUBS), a Post Graduate Diploma in Human Resource Management from Uganda Management Institute (UMI). She has over 14 years of experience in Human resource-based practices and key proficiencies in multinational organization where she developed a reputation for excellence, professionalism and achieving high-quality results in challenging situations. She is particularly passionate about employee development and much of her work is in area of Human Resource Development. She started her career from AIG in December 2007 as Assistant Underwriter and rose to the position of Personal Assistant to MD in 2008 and later became the Human Resource Manager in 2010 still in the same company. She is currently the Human Resource & Administration Manager at CIC where she leads both strategic and operational implementation of human capital aimed at enabling the organisation to deliver its goals.

## Financial Performance

### Key Highlights

GROSS WRITTEN PREMIUM UP BY	NET EARNED PREMIUM UP BY	LOSS RATIO DOWN BY	PROFIT MARGIN UP BY	CAPITAL ADEQUACY RATIO - CIC GENERAL BUSINESS
↑ 31%	↑ 11%	↓ 7%	↑ 4%	↑ 209%
				FROM 197%

### Key Performance Indicators

	2022 Ugx 'Millions'	2021 Ugx 'Millions'
Gross written premiums	31,808	24,295
Underwriting results	(979)	(1,265)
Investment income	1,313	1,747
Profit before tax	453	380

### Performance Since Inception at a Glance

The company has sustained growth in GWP at an average 26% over the last five years. This trend is projected to more than double in the next three years driven by the strategic plan to start underwriting medical in the General business and deposit administration in the Life business. The company plans to leverage on its banc assurance, brokerage and retail distribution channels grow its GWP to 79 Billion by the year end 2025.

Description	2022 Ushs'000	2021 Ushs'000	2020 Ushs'000	2019 Ushs'000	2018 Restated Ushs'000	2017 Ushs'000	2016 Ushs'000	2015 Ushs'000
Gross written Premiums	31,807,537	24,295,405	18,465,275	21,694,753	15,784,392	10,820,080	3,016,674	540,782
Gross Change in unearned Premium	(764,355)	802,638	593,252	2,998,830	(2,790,718)	(2,478,588)	(1,714,946)	(255,638)
<b>Gross premium revenue earned</b>	<b>31,043,182</b>	<b>25,098,043</b>	<b>19,058,527</b>	<b>24,693,583</b>	<b>12,993,674</b>	<b>8,341,492</b>	<b>1,301,728</b>	<b>285,144</b>
Premium ceded to reinsurers	(22,812,445)	(17,670,033)	(10,099,940)	(11,981,529)	(2,412,867)	(2,253,059)	(501,623)	(179,983)
<b>Net insurance premium revenue</b>	<b>8,230,737</b>	<b>7,428,010</b>	<b>8,958,587</b>	<b>12,712,054</b>	<b>10,580,807</b>	<b>6,088,433</b>	<b>800,105</b>	<b>105,161</b>
Investment income	1,312,826	1,746,879	1,416,655	1,249,710	574,429	617,035	482,561	222,665
Other Income	119,849	(101,241)	(4,872)	(14,331)	88,684	120,488	1,618	1,751
<b>Total income</b>	<b>9,663,412</b>	<b>9,073,648</b>	<b>10,370,370</b>	<b>13,947,433</b>	<b>11,243,920</b>	<b>6,825,956</b>	<b>1,284,284</b>	<b>329,577</b>
Gross Benefits and Claims Paid	(6,384,626)	(5,147,391)	(4,382,345)	(7,099,182)	(3,407,536)	(3,432,832)	(215,876)	(31,124)
Claims Ceded to reinsurers	2,926,987	4,256,582	4,030,023	3,480,118	2,244,962	2,517,052	70,095	-
Gross Change in insurance Contract Liabilities	(74,729)	(2,790,087)	(2,302,145)	1,495,362	(2,607,067)	(1,165,176)	(452,175)	-
Net commission expense	836,531	(861,284)	(882,073)	(1,584,552)	(2,213,124)	(621,364)	(246,274)	(44,177)
Increase in expected Credit Losses	(1,022,633)	288,218	(168,328)	(847,239)	(3,089,753)	-	-	-
Other operating expenses	(5,490,997)	(4,439,389)	(3,901,182)	(4,445,062)	(4,877,269)	(4,009,820)	(3,361,820)	(2,610,132)
<b>Total expenses</b>	<b>(9,209,467)</b>	<b>(8,693,351)</b>	<b>(7,606,050)</b>	<b>(9,000,555)</b>	<b>(13,949,787)</b>	<b>(6,712,140)</b>	<b>(4,206,050)</b>	<b>(2,685,433)</b>
(Loss)/Profit before income tax	453,945	380,297	2,764,320	4,946,878	(2,705,867)	113,816	(2,921,766)	(2,355,856)
Income tax expense	(216,636)	(449,597)	(1,142,928)	(72,502)	(54,928)	(65,463)	(29,983)	-
Profit/(Loss) for the period	237,309	(69,300)	1,621,392	4,874,376	(2,760,795)	48,353	(2,951,749)	(2,355,856)
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Total comprehensive profit/(loss) for the year, net of tax	237,309	(69,300)	1,621,392	4,874,376	(2,760,795)	48,353	(2,951,749)	(2,355,856)

# CIC General Insurance (Uganda) Limited, Corporate Governance Report for the Year Ended 31<sup>st</sup> December 2022

## Introduction

The corporate governance agenda is driven by the Board. The Board is keen to see to it that the principles of corporate governance as spelt out in various legislations governing the operations of the company are observed. The governing legislation includes the Companies Act 2012, the Insurance Act 2017, and the Company's Articles of Association among others.

The Board is cognizant of the general expectation by stakeholders that it maintains the highest standards of corporate governance and it has in this regard institutionalized policies and processes and established robust frameworks that are necessary to CIC's foundational pillars and mission to enable people achieve financial security.

## General Governance Framework

The Company has institutionalized a robust corporate governance framework at all levels of the Company's strategic and operational spheres. The corporate governance framework, which the Board confirms is aligned to the global best practice was formulated to among other things:

- i). Protect and enhance shareholder value by maintaining the highest standards of governance, business behavior and transparency.**
- ii). Ensure the Board's accountability to shareholders and provide for an appropriate delegation of responsibilities to the Chief Executive Officer (CEO) and the senior management; and**
- iii). Provide a platform for regular review of the Company's governance structure against the nationally and universally accepted guidelines and best practices.**

## THE BOARD

The Board is primarily responsible for the protection of and enhancement of long-term shareholder value considering the interests of other stakeholders including employees, customers, suppliers, and the wider community. The Board is accountable to shareholders for the performance of the Company. It directs and monitors the business and affairs of the Company on behalf of shareholders and is responsible for the Company's overall corporate governance.

## Separation of The Roles of The Board Chairman and The Chief Executive Officer

The separation of the functions of the Board Chairman (an Independent Non-Executive Director) and the CEO supports and ensures the independence of the Board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles. The Chairman's responsibilities include the operation, leadership and governance of the Board. The CEO's roles and responsibilities remain the day-to-day management of the Company's business and overseeing the implementation of strategy and policies approved by the Board.

## Board Composition and Directors' Appointment

The Board's composition is determined by the nature of the Company's business and the shareholding structure with particular attention being paid to the Board Charter and the Company's Memorandum and Articles of Association. The Company is committed to ensuring that the composition of the Board comprises directors, who, possess the diversity of skills and experience required to fulfill the role and responsibility of the Board.

During the period under consideration, the Board comprised of nine (8) directors of which seven (7) are independent non-executive directors and one (1) is the executive director as shown in the tabulation below:

### BOARD OF DIRECTORS

Position and Name	Executive <sup>1</sup>	Non-Executive <sup>2</sup>	Independence	Director Since
George William Inholo*   Chairman		x	Independent	2020
Sylvester Ndiroramukama*   Director		x	Executive	2014
Patrick Nyaga **   Director	x	x	Independent	2020
Sebastian O. Okot*   Director		x	Independent	2018
James Njue **   Director		x	Independent	2022
Josephine Nabuyungo*   Director		x	Independent	2022
Dan Badebye*   Director		x	Independent	2022
Douglas Ndawula*   Director		x	Independent	2022

## Board Composition and Directors' Appointment (continued)

<sup>1</sup> Executive means a member of the Board who also serves as manager of the company.

<sup>2</sup> Non-Executive Means a member of the board who does not form part of the management team and who is not an employee of the Company or affiliated with it in any other way but can own shares in the company.

\*\* Kenyan

\* Ugandan

## Directors' Appointment

Directors (other than the CEO) appointed by the Board must stand for election at the Annual General Meeting (AGM) following their appointment and are subject to shareholder re-election at least every three years as per the Companies Act.

Further, endorsement for re-election of non-executive directors to the Board at the conclusion of their three-year term is not automatic. Prior to the Board endorsing a director for re-election, the individual's performance as a director is reviewed in accordance with processes agreed by the Board from time to time. The Company provides shareholders with all material information in its possession relevant to a decision on whether to elect or re-elect a director.

New directors are provided with a formal letter of appointment that sets out the key terms and conditions of appointment including, among other things, duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with the Board and Board Committee work.

## Skills And Diversity

In considering the composition of the Board, directors consider the appropriate characteristics needed by the Board to maximize its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company.

The Board believes that having a range of different skills, backgrounds, experience and diversity enables a broad range of viewpoints which facilitates effective governance and decision making.

The Board has the primary responsibility for conducting director assessments of the current mix of skills and experience of directors, considering the business and strategic needs of the company, as well as broader succession planning issues for both the Board and management.

## Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board recognizes the special responsibility of non-executive directors for monitoring executive management and providing independent views. In assessing the independence of a director, the Board, relies on the codified principles and an objective regard to the relationship between a director and the Company or between a director and third parties that may compromise the director's independence.

## Tenure

The Company notifies shareholders of their right to nominate a candidate for election as a director by a notice convening the shareholders meeting in the event any director election or re-election is to occur at a shareholder meeting. Directors must retire every three years and, if desired, seek re-election.

## Succession

As part of its annual review, the Board continues to consider Board succession. The Board's succession plan is focused on identifying suitable candidates for future appointment to the Board, having regard to the Board's current skills mix and desirable future skills, so that the Board remains proactive, and renewal occurs in an orderly manner over time.

Where a need is identified or arises, the Board considers potential candidates based on the skills required by the Board and the qualities and experience of the candidate. The Committee, with the assistance of professional consultants, if necessary, will undertake a search process and shortlisted candidates will be interviewed by the Board before being recommended to the full Board for appointment.

Nominations for appointment to the Board are considered by the Board and approved by the Board as a whole. Appropriate checks are undertaken on any potential candidates before a person is appointed by the Board or put forward to shareholders as a candidate for election as a director.

## Director Orientation and Continuous Professional Development

All directors are provided with a letter of appointment that sets out the key terms and conditions of appointment including, among other things, duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with Board Committee work. New directors also participate in a formal induction program which includes one-on-one meetings with relevant members of management and provision of relevant policies, charters and other materials.

An active professional development program is also in place for directors and is incorporated as part of the annual board cycle. This varies each year and may include internal presentations and discussions with key external subject matter experts on issues including macro-economics, information technology, continuous disclosure, capital markets and accounting developments. In addition, there are focused sessions at each Board meeting addressing topical issues facing one or more of the business units or functions.

It is fundamental to the Board that directors have and are committing sufficient time to perform their duties properly and effectively. The Board has considered this issue during the reporting period and is satisfied that, considering all their commitments, each director had sufficient time to perform their Group Board duties.

## Independent Advice

The Board is entitled to access such information and seek such independent advice as they consider necessary or desirable, individually, or collectively, to fulfil their responsibilities and permit independent judgement in decision making. However, this does not abrogate the Board's responsibility to make independent decisions as such advice is only meant to enhance comprehension of certain matters placed before the Board.

## Attendance of Board Meetings

The table below shows attendances at Board and meetings by directors during the year ended 31 December 2022. The Board holds meetings once every quarter and these meetings are guided by an agreed agenda that is aimed at driving the Company's business strategy. In addition to the usual meetings of the Board, additional meetings of the Board are convened as necessary to consider such urgent matters. Senior employees only attend Board meetings by invitation. Attendance of Board meetings during the year was good with well-reasoned absences of directors for verifiable reasons such as health or travel.

Position and Name	Board	Committees
George William Inholo*   Chairman	4	4
Sylvester Ndiroramukama*   Director	4	4
Patrick Nyaga**   Director	3	3
Sebastian O. Okot*   Director	4	4
James Njue**   Director	4	4
Josephine Nabuyungo*   Director	4	4
Dan Badebye*   Director	3	3
Douglas Ndawula*   Director	1	1

## Shareholder Relations

The Company is committed to open, clear, and timely communications with its shareholders. The Company has a Shareholder Communications Policy and investor relations program in place that encompasses the Company's commitment to providing transparent two-way communications with all shareholders through several channels. These include:

- a). the Company's AGM;
- b). the Company's Annual Report, which is available both in hard and soft copy;

The Company values effective two-way communication with shareholders and recognizes that it is important not only to provide relevant information as quickly and efficiently as possible, but to listen, understand and respond to the perspectives of those shareholders. To promote this two-way dialogue, shareholders are encouraged to attend and ask questions at the AGM. For those shareholders who are unable to attend in person, they may nominate proxies to attend on their behalf.



## Statement of Directors' Responsibilities

The Ugandan Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the state of the financial affairs of the Company. They are also responsible for safeguarding the assets of the Company.

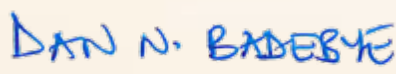

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act and the Ugandan Insurance Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act and the Ugandan Insurance Act. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements 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 have assessed the Company's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

The financial statements were approved by the Board of Directors on 22 February 2023 and signed on its behalf by:

Director

Director

## About This Report

The CIC General Insurance (U) Limited Annual Report and Financial Statements 2022 contain information on our financial and non-financial performance for the financial year ended December 2022. The report sets out how our strategy, governance, performance and prospects have led to the creation of value. As a business we are committed to being transparent and accountable to all our stakeholders.

### Framework

The report has been prepared in compliance with global best practices and prudent accounting frameworks. It is aligned with the provisions of the Uganda Companies Act. The company's and consolidated Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

### Reporting Scope and Boundary

This report focuses on the performance of the company. The company's operations offer General Insurance services. The principal target for this report is our investors who need to make informed decisions about their shares for short, medium or long-term investment. However, it also contains information relevant to our other stakeholders who include, but are not limited to our customers, staff members, the co-operative movement, strategic partners, suppliers, regulators and policymakers, the media and the communities within which the Group operates in.

### Assurance

The CIC General Insurance (U) Limited's Annual Financial Statements were audited by PricewaterhouseCoopers Uganda.

## Report on the audit of the financial statements

### Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of CIC General Insurance (Uganda) Limited ("the Company") as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act and the Ugandan Insurance Act.

### What we have audited

The Company's financial statements comprise:

- ⇒ the statement of financial position as at 31 December 2022;
- ⇒ the statement of comprehensive income for the year then ended;
- ⇒ the statement of changes in equity for the year then ended;
- ⇒ the statement of cash flows for the year then ended; and
- ⇒ the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

### Independence

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 ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

### Key audit matter

A key audit matter is that which in our professional judgment was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on it.

Key Audit Matter	How our audit addressed the key audit matter
<i>Insurance contract liabilities</i>	<i>Our audit procedures are summarised as follows:</i>
As at 31 December 2022, the Company had total insurance contract liabilities of Shs 7,911 million. Of this amount, Shs 5,703 million related to notified claims, whereas Shs 2,208 million was recognised in respect of claims incurred but not reported ("IBNR"). For details on insurance contract liabilities, refer to Note 21 of the financial statements.	⇒ We tested claims outstanding (notified claims) as at year-end on a sample basis by checking that claims reserves were consistent with supporting documents provided by management.
We considered insurance contract liabilities a key audit matter because of the judgement involved in estimating the liability for outstanding claims and incurred but not reported claims.	⇒ We compared reserves for outstanding claims and incurred but not reported claims to the results of the liability adequacy test performed by management. We also assessed the professional competence of management's actuarial specialists and assessed the appropriateness and consistency of the methodology applied year on year.
Management exercises significant judgment in the process of estimating provisions for reported claims – the ultimate cost of which may not be known with certainty for a significant period of time. Both reported claims and IBNR provisions are estimated using actuarial techniques and the Company's historical claims development experience and a range of other factors, including loss adjusters' reports for individually large claims.	⇒ We checked the reasonableness of the data used by the Company's actuary by tracing that data to the underlying financial information ⇒ We compared the methodology applied by management's actuary in determining the liabilities to generally accepted actuarial techniques.

### Other information

The directors are responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## Report on the audit of the financial statements (continued)

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, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act and Ugandan Insurance Act, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those directors are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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.

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

## Responsibilities of the directors for the financial statements (continued)

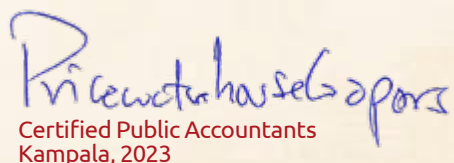
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public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

## Report on other legal and regulatory requirements

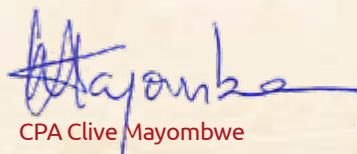
The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- ⇒ we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ⇒ in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- ⇒ the Company's balance sheet statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement leader on the audit resulting in this independent auditor's report is CPA Clive Mayombwe – P0349.



Certified Public Accountants  
Kampala, 2023



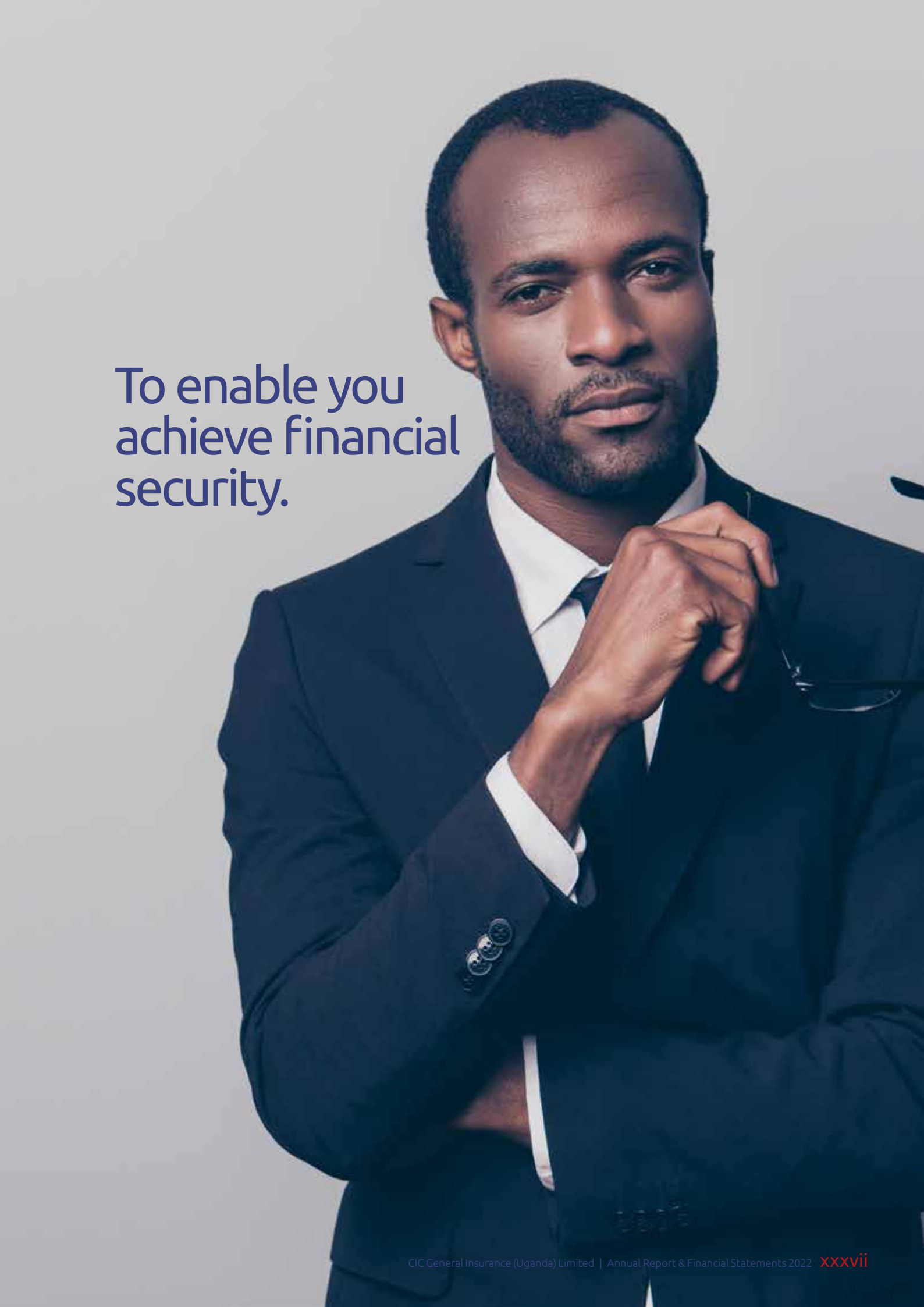
CPA Clive Mayombwe

*PricewaterhouseCoopers Certified Public Accountants, Communications House, 1 Colville Street, P. O. Box 882, Kampala Uganda. Registration Number 113042*

*T: +256 (414) 236018, +256 (312) 354400, F: +256 (414) 230153, E: ug\_general@pwc.com, www.pwc.com/ug*

Partners: C Mpobusingye D Kalemba P Natamba U Mayanja

PricewaterhouseCoopers CPA is regulated by the Institute of Certified Public Accountants of Uganda (ICPAU), ICPAU No. AF0004



To enable you  
achieve financial  
security.

## Statement of Comprehensive Income for the Year Ended 31<sup>st</sup> December 2022


	NOTES	2022 Ushs'000	2021 Ushs'000
Gross written premiums	7	31,807,537	24,295,405
Gross change in unearned premiums		(764,355)	802,638
<b>Gross premium earned</b>		<b>31,043,182</b>	<b>25,098,043</b>
Premium ceded to reinsurers	7	(22,812,445)	(17,670,033)
<b>Net insurance premium revenue</b>		<b>8,230,737</b>	<b>7,428,010</b>
Investment income	8	1,312,826	1,746,879
Other income/ (expenses)		119,849	(101,241)
<b>Total Income</b>		<b>9,663,412</b>	<b>9,073,648</b>
Gross benefits and claims paid	9	(6,384,626)	(5,147,391)
Claims ceded to reinsurers	9	2,926,987	4,256,582
Gross change in insurance contract liabilities	9	(74,729)	(2,790,087)
<b>Net benefits and claims</b>		<b>(3,532,368)</b>	<b>(3,680,896)</b>
Commission earned	10	4,204,024	2,857,317
Commission expense	10	(3,367,493)	(3,718,601)
Net impairment (losses)/ reversals on financial assets		(1,022,633)	288,218
Other operating expenses	11	(5,490,997)	(4,439,389)
<b>Total expenses</b>		<b>(9,209,467)</b>	<b>(8,693,351)</b>
<b>Profit/ (loss) before income tax</b>		<b>453,945</b>	<b>380,297</b>
Income tax expense	12	(216,636)	(449,597)
<b>Profit / (loss) For The Year</b>		<b>237,309</b>	<b>(69,300)</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income/ (loss) for the year, net of tax</b>		<b>237,309</b>	<b>(69,300)</b>

## Statement of Financial Position for the Year Ended 31<sup>st</sup> December 2022

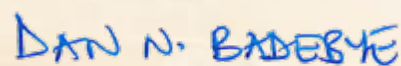
ASSETS	NOTES	2022 Ushs '000	2021 Ushs '000
Property and equipment	13	273,247	231,266
Right-of-use assets	14	433,740	245,756
Other receivables	17	45,423	55,430
Investment in unquoted shares	16(h)	190,000	-
Deferred acquisition costs	15(a)	1,533,437	849,529
<i>Debt instruments at amortised cost:</i>			
Government securities	16(d)	6,671,199	6,333,598
Deposits with financial institutions	16(e)	5,428,309	8,634,020
Receivables arising out of direct insurance arrangements	16(a)	1,472,908	746,613
Receivables arising out of re-insurance arrangements	16(b)	10,746,398	12,132,417
Other debt instruments	16(f)	15,796	25,863
Amounts due from related parties	18(i)	3,388,710	2,332,260
Cash and cash equivalents	16(g)	168,257	181,639
<b>TOTAL ASSETS</b>		<b>30,367,424</b>	<b>31,768,391</b>
<b>Equity</b>			
Share capital	19	14,574,010	14,574,010
Reserves	20	2,865,153	2,217,137
Accumulated losses		(4,297,526)	(3,886,819)
		<b>13,141,637</b>	<b>12,904,328</b>
<b>Liabilities</b>			
Insurance contract liabilities	21(a)	7,911,701	7,836,972
Unearned premium reserve	21(c)	3,609,525	2,845,170
Deferred acquisition revenue	15(b)	1,447,743	890,724
Lease liabilities	14	411,774	237,280
Other payables	23	1,804,874	936,438
Amounts due to related parties	18(ii)	948,021	226,270
Payables arising from reinsurance arrangements	22	1,092,149	5,891,209
		<b>17,225,787</b>	<b>18,864,063</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30,367,424</b>	<b>31,768,391</b>

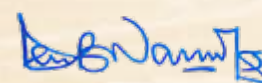
The financial statements were approved for issue by the Board of Directors on 22<sup>nd</sup> February 2023 and signed on its behalf by:





Director





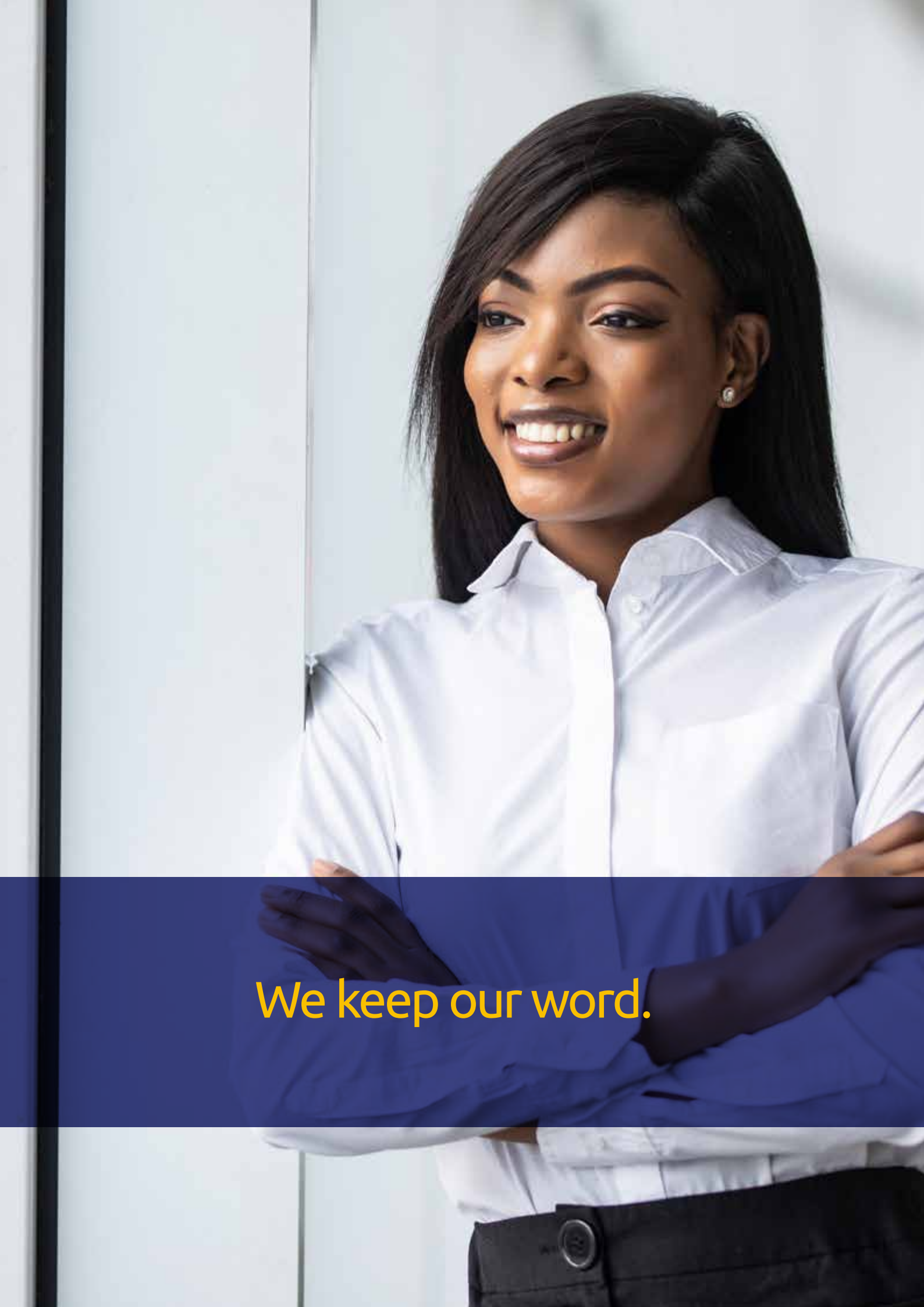
Director

## Statement of Changes in Equity for the Year Ended 31<sup>st</sup> December 2022

	Share Capital Ushs'000	Reserves Ushs'000	Accumulated losses Ushs'000	Total Ushs'000
<b>Year Ended 31<sup>st</sup> December 2021</b>				
At the start of the year	14,574,010	1,731,229	(3,331,611)	12,973,628
<b>Comprehensive income</b>				
Total comprehensive loss for the year	-	-	(69,300)	(69,300)
Transfer to contingency reserve (note 20)	-	485,908	(485,908)	-
Transfer to capital reserve (note 20)	-	-	-	-
<b>At end of year</b>	<b>14,574,010</b>	<b>2,217,137</b>	<b>(3,886,819)</b>	<b>12,904,328</b>
<b>Year Ended 31<sup>st</sup> December 2022</b>				
At the start of the year	14,574,010	2,217,137	(3,886,819)	12,904,328
<b>Comprehensive income</b>				
Total comprehensive income for the year	-	-	237,309	237,309
Transfer to contingency reserve (note 20)	-	636,151	(636,151)	-
Transfer to capital reserve (note 20)	-	11,865	(11,865)	-
<b>At end of Year</b>	<b>14,574,010</b>	<b>2,865,153</b>	<b>(4,297,526)</b>	<b>13,141,637</b>

## Statement of Cash Flows for the Year Ended 31<sup>st</sup> December 2022

	NOTES	2022 Ushs' 000	2021 Ushs' 000
<b>Operating Activities</b>			
Profit/(loss) before tax		453,945	380,297
Adjustments for:			
Loss on disposal of property and equipment		22,809	13,659
Depreciation	13	101,527	85,322
Depreciation on right-of-use assets	14	195,881	151,340
Interest expense on lease liabilities	14	27,662	22,147
Interest income		217,149	(262,328)
		1,018,973	390,437
Changes in working capital:			
Receivables arising out of direct insurance		(726,295)	3,147,251
Receivables arising out of reinsurance		1,386,019	8,927,089
Other debt instruments		10,067	4,713
Other receivables		10,007	(47,557)
Amounts due from related party		(1,056,450)	(367,088)
Deferred acquisition costs		(683,908)	133,803
Other payables		868,436	(404,517)
Insurance contract liabilities		839,084	1,987,449
Payables arising from reinsurance arrangements		(4,799,059)	(12,929,532)
Movement in right-of-use assets and lease liabilities		(5,179)	3,013
Amounts due to related parties		721,751	226,270
Deferred acquisition revenue		557,019	(52,339)
<b>Cash flows generated from/ (used in) operations</b>		<b>(1,859,535)</b>	<b>1,018,992</b>
Tax paid	12	(216,636)	(880,777)
<b>Net cash flows generated from/ (used in) operating activities</b>		<b>(2,076,171)</b>	<b>138,215</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	13	(166,317)	(94,933)
Purchase of unquoted shares	16(h)	(190,000)	-
Purchase of government securities and fixed deposits		(8,467,590)	(14,256,410)
Maturities of government securities and fixed deposits		11,118,550	14,270,610
<b>Net cash flows generated from/ (used in) investing activities</b>		<b>2,294,643</b>	<b>(80,733)</b>
<b>FINANCING ACTIVITIES</b>			
Lease payments – principal and interest	14	(231,854)	(176,628)
<b>Net cash flows used in financing activities</b>		<b>(231,854)</b>	<b>(176,628)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(13,382)</b>	<b>(119,146)</b>
Cash and cash equivalents at start of year		181,639	300,785
<b>Cash and cash equivalents at end of year</b>	16(g)	<b>168,257</b>	<b>181,639</b>



We keep our word.

## 1. CORPORATE INFORMATION

### 1.1. Corporate information

The Company is incorporated in Uganda under the Companies Act as a limited liability company and is domiciled in Uganda. The address of its registered office is:

AHA Building  
Lourdel Road Kampala  
P.O. Box 34975  
Kampala, Uganda

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 2.1. Basis of accounting and statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Ugandan Companies Act and the Ugandan Insurance Act.

These financial statements have been prepared under the historical cost convention, unless otherwise stated. The financial statements are presented in Uganda shillings which is the Company's functional and the presentation currency and all values are rounded to the nearest thousand (Ushs '000), unless otherwise indicated.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 4.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates due to the uncertainty about these assumptions and estimates and could require a material adjustment to the carrying amount of the asset or liability affected in the future. See details on the significant estimates in note 3.

### 2.2. Changes in accounting policies and disclosures

#### New and amended standards adopted by the Company

The following standards and amendments have been applied by the Company for the first time for the financial year beginning 1 January 2022, with no material impact.

- ⇒ Annual improvements cycle 2018 -2020 – minor changes to various financial statements.
- ⇒ IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment.
- ⇒ Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract.
- ⇒ Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

#### New and amended standards not yet adopted by the Company

##### IFRS 17 Insurance Contracts (effective 1 January 2023)

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. Changes in accounting policies and disclosures (continued)

#### New and amended standards not yet adopted by the Company (continued)

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.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

IFRS 17 will have a material impact on the Company's financial statements. Management is still assessing the impact of the new standard on the Company's financial statements, reporting systems and operations.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements. These standards, which are not expected to have a significant effect on the financial statements of the Company, are set out below:

- ⇒ IFRS 17, Insurance contracts Amendments - effective for annual periods beginning on or after 1 January 2023. In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principle of the standard or unduly disrupt..... already underway.
- ⇒ Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current – effective for annual periods beginning on or after 1 January 2023.
- ⇒ Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction -- effective for annual periods beginning on or after 1 January 2023.
- ⇒ Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - effective for annual periods beginning on or after 1 January 2023.

### 2.3. Foreign currency translation

The Company's financial statements are presented in Uganda Shillings (Ushs), which is also the Company's functional currency.

#### Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method so as to write-off their cost to their estimated residual values over their estimated useful lives, as follows:

⇒ Motor vehicles	25.0%
⇒ Furniture and fittings	12.5%
⇒ Computer equipment	25.0%

Depreciation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Depreciation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The residual value of an asset is the estimated amount that would currently be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in condition expected at the end of its useful life. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These gains and losses are included in the Statement of Comprehensive Income.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income. In the period the asset is derecognised.

### 2.5. Financial instruments

#### Financial Assets

IFRS 9 Financial instruments bring together all three aspects of the accounting for financial instruments: clarification and measurement, impairment and hedge accounting.

#### Initial recognition and measurement

Financial assets are measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5. Financial instruments (continued)

#### Subsequent measurement (continued)

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- ⇒ Financial assets at amortised cost (debt instruments)
- ⇒ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ⇒ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ⇒ Financial assets at fair value through profit or loss

#### Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- ⇒ The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- ⇒ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes: treasury bills, treasury bonds deposits with financial institutions, receivables arising out of direct insurance arrangements, receivables arising out of re-insurance arrangements, cash and cash equivalents, amounts due from related parties and other debt instruments.

#### De-recognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ⇒ The rights to receive cash flows from the asset have expired; The Company retains the right to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- ⇒ The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and the rewards of the assets, or (b) has neither transferred or retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### De-recognition other than for substantial modification

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

The continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may re-purchase, except in the case of a put option (including a cash settled option or a similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5. Financial instruments (continued)

#### Derecognition due to substantial modification of terms and conditions (continued)

#### Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as a derecognition gain or loss. In the case of debt instruments at amortized cost, the newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- ⇒ Change in currency of the debt instrument
- ⇒ Introduction of an equity feature
- ⇒ Change in counterparty
- ⇒ If the modification is such that the instrument would no longer meet the SPPI criterion

#### De-recognition other than for substantial modification (continued)

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

#### Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company's debt instruments comprise mainly of Treasury bills, treasury bonds, amounts due to related parties and deposits with financial institutions. It is the Company's policy to measure ECLs on such instruments on a monthly basis. Where the credit risk of any debt instrument deteriorates, the Company will recognize an allowance for expected credit losses (ECLs). We have not recognised ECLs on treasury bills and bonds as these are considered risk free since they are backed by the Uganda Government. There was also no ECL on the other debt instruments as they relate to staff loans and advances which are significantly in the control of the entity.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

#### The calculation of ECLs

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

When estimating the ECLs the Company considers four scenarios (a base case, an upside, a mild downside and a more extreme downside). When relevant, the assessment of multiple scenarios also incorporates the probability that the defaulted loans will cure.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5. Financial instruments (continued)

#### The calculation of ECLs (continued)

- ⇒ **PD** The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- ⇒ **EAD** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- ⇒ **LGD** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

The Company allocates its assets subject to ELC calculations into one of these categories, determined as follows:

- ⇒ **12mECL** The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the four scenarios, as explained above.
- ⇒ **LTECL** When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.
- ⇒ **Impairment** For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

#### Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### Subsequent measurement

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### De-recognizing financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Comprehensive Income.

#### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5. Financial instruments (continued)

#### Impairment of non-financial assets (continued)

#### Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

#### Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss to the amount of an impairment already taken to profit or loss while the remainder will be a revaluation amount through other comprehensive income.

#### Fair value measurement

The Company measures the fair value of its financial instruments at each reporting date.

As at 31 December 2022, the Company had no investments in any securities whether quoted or unquoted. The entity's financial assets and liabilities consist of treasury bills, treasury bonds, cash and short-term deposits, receivables, amounts due to related parties, other payables and insurance contract liabilities. The carrying amounts of its existing financial assets and liabilities reasonably approximate their fair value as at the reporting date.

### 2.6. Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

### 2.7. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

### 2.8. Insurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. The insurance contract liabilities include (where applicable) the claims incurred but not yet reported provision, the unearned premium provision, and reported outstanding claims.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8. Insurance contracts (continued)

The Company undertakes only short-term insurance business and thus all insurance contracts are classified as short-term insurance contracts.

Short-term insurance is the providing of benefits under short-term policies which includes engineering, liability, miscellaneous, motor, accident, marine, property and aviation, transportation or a contract comprising a combination of any of those policies. Motor, property and personal insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Premiums written relate to risks assumed during the period and include estimates of premiums due but not yet received.

#### Recognition and measurement

##### Insurance premium revenue

Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries. The unearned premium represents the portion of the current period's premiums that relate to risk periods extending into the following period. Unearned premium is calculated using the 1/365th method.

##### Insurance claims and loss adjustment expenses

Claims and loss adjustment expenses are charged to the statement of comprehensive income as incurred based on the estimated liability for compensation owed to policy holders or third parties damaged by the policy holders. These include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

##### Claims incurred but not reported

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Company at that date. Provision is made at 15% of net reported outstanding claims. This amount is compared to the actuarial provision derived based on the actual claims experience over the past periods. If the actuarial provision is higher, then an additional provision is made.

##### Deferred policy acquisition costs

Commissions and other acquisition costs that relate to securing new contracts and renewing existing contracts are capitalised and shown as part of prepayments. All other costs are recognised as expenses when incurred. The Deferred Acquisition Costs (DAC) are subsequently amortised over the terms of the policies as premium is earned. DAC are tested yearly for impairment using the liability adequacy test as per IFRS 4.

##### Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written-off as a result of this test cannot be subsequently reinstated.

##### Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8. Insurance contracts (continued)

#### Reinsurance contracts held (continued)

contracts issued by the Company that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the Statement of Comprehensive Income.

The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used as per IFRS 9.

The deferred reinsurance premium expense represents the portion of the current period's premiums that relate to risk periods extending into the following period. Deferred reinsurance premium is calculated on a daily pro rata basis.

Fee income from reinsurance contracts ceded varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts. It is deferred over the period of the related reinsurance contract.

#### Receivables and payables related to insurance contracts.

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the Statement of Comprehensive Income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets measured at amortised cost. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in Note 2.5.

#### Salvage

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

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

#### Contingency reserve

A contingency reserve is maintained in accordance with the Ugandan Insurance Act, at 2% of the gross premiums. Transfers to and from these reserves are reflected in the statement of changes in equity and are indicated as part of "Reserves" under 'equity'.

#### Capital reserve

A capital reserve is maintained in accordance with the Ugandan Insurance Act, at 5% of the profit after tax. Transfers to and from these reserves are reflected in the statement of changes in equity and are indicated as part of "Reserves" under 'equity'.

### 2.9. Tax

The income tax expense for the period comprises current and deferred income tax. Income tax expense is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income, in which case the income tax expense is also recognised in other comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9. Tax (continued)

#### Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Income Tax Act. Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the period. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in the statement of profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is provided on the basis of the results for the period, as shown in the Company financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

The net amount of current income tax recoverable from, or payable to, the taxation authority is included on a separate line in the statement of financial position of these financial statements.

#### Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that lead to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity

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

#### Sales taxes and premium taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of sales taxes and premium taxes except:

- ⇒ when the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- ⇒ Receivables and payables that are measured with the amount of sales or premium tax included.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.10. Employee benefits

#### Pension Obligations

The Company and all its employees contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate Company. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to the National Social Security Fund are charged to the Statement of Comprehensive Income in the period in which they fall due.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.11. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Comprehensive Income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.12. Investment income

Interest income for all interest-bearing financial instruments measured at amortised cost, is recognised within 'investment income' in the Statement of Comprehensive Income using the effective interest rate method.

### Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividend distributions to the shareholders are recognised as a liability in the financial statements in the year in which the dividends are declared and approved by the shareholders.

### 2.13. Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after.

### 2.14. Expenses

Expenses are recognised in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

- i) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of comprehensive income on the basis of systematic and rational allocation procedures. This is often necessary in recognising the expenses associated with the using up of assets such as property and equipment in such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.
- ii) An expense is recognised immediately in the statement of comprehensive income when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

### 2.15. Leases

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.15. Leases (continued)

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease. Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparing financial statements in accordance with IFRS requires that management make use of estimates, assumptions and judgements that affect the application of the accounting principles and reported amounts of assets, liabilities and contingent liabilities at the statement of financial position date as well as the reported income and expenses for the period. 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. Although the estimates are based on management's best knowledge, experience, insight and judgement of current facts at the statement of financial position date, the actual outcome may deviate from these estimates, possibly significantly.

### 3.1. Insurance contract liabilities

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, outstanding claims form the majority of the liability in the statement of financial position. Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Insurance liabilities include the provisions for unearned premiums, outstanding claims and incurred but not reported (IBNR) claims. Unearned premiums represent the amount of income received or receivable that relates to risks not yet expired at the reporting date. A separate provision is made, based on information available at the statement of financial position date, for any estimated future underwriting losses relating to the unexpired risks.

Outstanding claims represent the Company's estimate of the cost of settlement of claims that have occurred by the statement of financial position date, but that have not yet been finally settled. In addition to the inherent uncertainty of having to provide for future events there is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the statement of financial position date.

Insurance risks are unpredictable, and the Company recognises that it is not always possible to forecast with absolute precision, future claims payable under existing insurance contracts. Overtime, the Company has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle its insurance obligations.

#### 3.1.1. Outstanding claims

Claims provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions.

The Company employs staff experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment. The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the period in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

The majority of the IBNR provision is calculated as a percentage of the premiums earned. This percentage is the best estimate, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and their appropriateness is assessed against the Company's past claims experience and industry norms.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### 3.1. Insurance contract liabilities (continued)

##### 3.1.2. Claims incurred but not reported (IBNR)

The assumption which has the greatest effect on the measurement of insurance contract provisions is the percentage applied to earned premium to determine the IBNR provision. The larger the IBNR percentages applied the longer the expected period between the date of loss and the claims reporting date and/or the estimated claims. The IBNR provision relates to these events. In the absence of a credible method, the Commissioner of Insurance advises use of 15% of total amount of outstanding reported claims, in respect of claims incurred, but not reported at the end of the last preceding year.

##### 3.1.3. Insurance liabilities sensitivity analysis

If the incurred claims change by 10%, the impact on profit/ loss after tax is as follows:

	<b>2022 Increase 10% Ushs'000</b>	<b>2022 Decrease 10% Ushs'000</b>	<b>2021 Increase 10% Ushs'000</b>	<b>2021 Decrease 10% Ushs'000</b>
Outstanding claims	6,273,594	5,132,940	6,597,753	5,398,161
Impact on profit/ loss after tax	(399,229)	399,229	(419,857)	419,857
Incurring but not reported	2,429,277	1,987,591	2,022,917	1,655,114
Impact on profit/ loss after tax	(154,590)	154,590	(128,731)	128,731

##### 3.1.4. Premium provisions

The Company raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The Company's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis. The risk profile is determined based on a historic time-based analysis of the incurred claims.

At each reporting date an assessment is made of whether the provisions for unearned premiums are adequate. If the premium level is deemed to be insufficient, based on information available at the statement of financial position date, to cover the anticipated claims and operating expenses, a separate provision is made for any estimated future underwriting losses relating to unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue is recognised on a basis that is consistent with the related provisions for unearned premiums.

#### 3.2. Financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used. (Refer to Note 4 for more detailed disclosures on the impact of ECL on the Company's financial performance). Therefore, the financial statements continue to be prepared on the going concern basis.

## 4. FINANCIAL RISK MANAGEMENT

### 4.1. Financial instruments by category

<b>FINANCIAL ASSETS</b>	<b>2022</b> <b>Ushs' 000</b>	<b>2021</b> <b>Ushs' 000</b>
<b>Financial assets at amortised cost</b>		
Government securities	6,671,199	6,333,598
Deposits with financial institutions	5,428,309	8,634,020
Other debt instruments	15,796	25,863
Receivables arising out of direct insurance arrangements	1,472,908	746,613
Receivables arising out of reinsurance arrangements	10,746,398	12,132,417
Amounts due from related parties	3,388,710	2,332,260
Cash and bank balances	168,257	181,639
<b>Total Financial Assets</b>	<b>27,891,577</b>	<b>30,386,410</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Financial liabilities at amortised cost</b>		
Other payables (excluding statutory payables)	1,237,863	757,908
Amounts due to related parties	948,021	226,270
Payables arising from reinsurance	1,092,149	5,891,209
Lease liabilities	411,774	237,280
<b>Total Financial Liabilities</b>	<b>3,689,807</b>	<b>7,112,667</b>

### 4.2. Financial risk factors

The Company is exposed to financial risk through its financial assets and financial liabilities. The Company's principal financial liabilities comprise other payables, amounts due to related parties and payables arising from reinsurance. The Company has various financial assets such as other debt securities, treasury bills, treasury bonds, reinsurance receivables and cash and short-term deposits, which arise directly from its operations. The Company policy is to manage financial risk separately through its operations. Exposure to liquidity, credit, interest rate and foreign currency risk arises in the normal course of the Company's business. In general, financial risk is managed actively by the Board of Directors which has established several subcommittees to deal with risk management issues. The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

#### 4.2.1. Credit risk

Credit risk is defined as the potential loss in market value resulting from adverse changes in the borrower's ability to repay the debt. The major concentration of credit risk arises from the Company's insurance and reinsurance receivables and investments. Management manages this risk by upfront, stringent underwriting analysis, reviews by the audit committee of the Board and regular management meetings to review credit developments. All credit exposures are reviewed at least annually.

To mitigate credit risks relating to reinsurance receivables, the Company has established business and financial standards for reinsurance approval, incorporating rating by major rating agencies and considering current market information. The Company ensures that there is no concentration risk within a single reinsurer.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents and other receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.2.1. Credit risk (continued)

#### The Company's internal rating process

The Company's investment team prepares internal ratings for financial instruments (Financial assets at amortised cost, government securities, receivables, due from related parties, deposit with financial institutions and cash and bank balances) in which counter parties are rated using internal grades. The internal ratings are determined by incorporating both qualitative and quantitative information from Standards and Poor's (S&P), rating supplemented with information specific to the counter party and other external information that could affect the counter party's behaviour. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Below are the Company's internal credit rating grades

Internal rating grade	Internal rating description
1	High Grade
2	Standard Grade
3	Sub-standard Grade
4	Past due but not impaired
5	Individually Impaired
6	Individually Impaired

#### Credit exposure

The table below provides information regarding the credit risk exposure of the Company by classifying High Grade is the highest possible rating. Assets that fall outside the range of High Grade to Standard Grade are classified as non-investment grade. The amounts represent the maximum amount exposure to credit risk. The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance assets.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

2022						
Ushs'000	High Grade	Standard Grade	Sub Standard Grade	Past due but not Impaired	Individually Impaired	Total
Amounts due from related parties	-	3,388,710	-	-	13,609	3,402,319
Other debt instruments	-	15,796	-	-	-	15,796
Government securities	6,671,199	-	-	-	-	6,671,199
Deposits with financial institutions	5,428,309	-	-	-	17,803	5,446,112
Receivables arising out of direct insurance	-	1,472,908	-	-	1,576,889	3,049,797
Receivables arising out of reinsurance arrangements	-	10,746,398	-	-	128,357	10,874,755
Cash at bank	166,732	-	-	-	-	166,732
<b>Total credit exposure</b>	<b>12,266,240</b>	<b>15,623,812</b>	<b>-</b>	<b>-</b>	<b>1,736,658</b>	<b>29,626,710</b>

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.2. Financial risk factors (continued)

#### 4.2.1. Credit risk (continued)

#### Credit exposure (continued)

2021						
Ushs'000	High Grade	Standard Grade	Sub Standard Grade	Past due but not Impaired	Individually Impaired	Total
Amounts due from related parties	-	2,332,260	-	-	9,114	2,341,374
Other debt instruments	-	25,863	-	-	-	25,863
Government securities	6,333,598	-	-	-	-	6,333,598
Deposits with financial institutions	8,634,020	-	-	-	26,914	8,660,934
Receivables arising out of direct insurance	-	746,613	-	-	503,369	1,249,982
Receivables arising out of reinsurance arrangements	-	12,132,417	-	-	194,028	12,326,445
Cash at bank	178,272	-	-	-	-	178,272
<b>Total credit exposure</b>	<b>15,145,890</b>	<b>15,237,153</b>	<b>-</b>	<b>-</b>	<b>733,425</b>	<b>31,116,468</b>

#### Total credit risk exposure

Ushs'000	Carrying value 2022 Ushs'000	Collateral 2022 Ushs'000	Net credit exposure 2022 Ushs'000	Carrying value 2021 Ushs'000	Collateral 2021 Ushs'000	Net credit exposure 2021 Ushs'000
Government securities	6,671,199	-	6,671,199	6,333,598	-	6,333,598
Deposits with financial institutions	5,428,309	-	5,428,309	8,634,020	-	8,634,020
Receivables arising out of direct insurance	1,472,908	-	1,472,908	746,613	-	746,613
Receivables arising out of reinsurance arrangements	10,746,398	-	10,746,398	12,132,417	-	12,132,417
Other debt instruments	15,796	-	15,796	25,863	-	25,863
Amounts due from related parties	3,388,710	-	3,388,710	2,332,260	-	2,332,260
Cash at bank	166,732	-	166,732	178,272	-	178,272
<b>Total</b>	<b>27,890,052</b>	<b>27,890,052</b>	<b>-</b>	<b>30,383,043</b>	<b>-</b>	<b>30,383,043</b>

The Company limits the levels of credit risk that it accepts by placing limits on its exposure to a single counterparty or entities of counterparties, product, and to industry segments. The levels are subject to annual or more frequent reviews. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each intermediary and the portfolios that they manage. A significant amount of the insurance business is written through intermediaries.

#### Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers forward looking factors such as GDP growth, unemployment rates, forward CPI rate, etc when assessing the increase in the credit risk.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.2. Financial risk factors (continued)

#### 4.2.1. Credit risk (continued)

##### Significant increase in credit risk, default and cure (continued)

- ⇒ Internal rating of the counterparty indicating default or near default
- ⇒ The counterparty having past due liabilities to public creditors or employees
- ⇒ The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- ⇒ Counterparty's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognizes a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months. There has been no significant increase in credit risk or default for financial assets during the year.

##### Impairment losses on financial assets subject to impairment assessment

Refer to the bullet points below for references in the financial statements where the 12m ECL and LTECL have been disclosed:

- ⇒ Amounts due from related parties in note 18(i);
- ⇒ Other debt instruments in note 16(f);
- ⇒ Government securities in note 16(d);
- ⇒ Deposits with financial institutions in note 16(e);
- ⇒ Receivables arising out of re-insurance arrangements in note 16(b); and
- ⇒ Receivables arising out of direct insurance arrangements in note 16(a).

#### 4.2.2. Liquidity risk

Liquidity is a measure of the Company's ability to generate sufficient cash flows to meet the short term and long-term cash requirements of the Company's business operations. Liquidity risk arises when there is a mismatch between the maturities of liabilities and assets. Cash needs consist of paying insurance losses and day-to-day operating expenses.

Those needs are met through cash receipts from operations and investment income. The Board sets limits on the minimum proportion of maturing funds available to meet such calls. The Company manages liquidity risk by maintaining adequate cash resources, banking facilities and by continuously monitoring forecasts and actual cash flows.

##### Maturity profiles

After satisfying cash requirements, excess cash flows are used to build up the investment portfolio and thereby increase future investment income to increase the Company's capacity to expand the business.

The Company has adequate liquid resources to cover its obligations. The Company's liquidity analysis is as per the maturity profile tables in the next section.

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on remaining undiscounted contractual obligations.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. These cash flows are grouped into time buckets based on estimated timing of net cash outflows. These cash flows are grouped into time buckets based on estimated timing of net cash outflows.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.2. Financial risk factors (continued)

#### 4.2.2. Liquidity risk (continued)

##### Maturity Profiles (continued)

31 <sup>st</sup> December 2022	Carrying amount Ushs'000	Up to 1 year Ushs'000	1–3 years Ushs'000	>3 years Ushs'000	Total Ushs'000
<b>ASSETS</b>					
Government securities	6,671,199	3,475,768	-	3,195,431	6,671,199
Deposits with financial Institutions	5,446,112	5,428,309	17,803	-	5,446,112
Receivables arising out of reinsurance arrangements	10,874,755	10,746,398	128,357	-	10,874,755
Receivables arising out of direct insurance arrangements	3,049,797	1,472,908	1,576,889	-	3,049,797
Amounts due from related parties	3,402,319	3,388,710	13,609	-	3,402,319
Other debt instruments	15,796	15,796	-	-	15,796
Cash and cash equivalents	168,257	168,257	-	-	168,257
<b>Total Assets</b>	<b>29,628,235</b>	<b>24,696,146</b>	<b>1,736,658</b>	<b>3,195,431</b>	<b>29,628,235</b>
<b>LIABILITIES</b>					
Insurance contract liabilities	7,911,701	7,911,701	-	-	7,911,701
Payables arising from reinsurance	1,092,149	1,092,149	-	-	1,092,149
Other payables	1,237,863	1,237,863	-	-	1,237,863
Lease liabilities	411,774	223,543	188,231	-	411,774
Amounts due to related parties	948,021	948,021	-	-	948,021
<b>Total Liabilities</b>	<b>11,601,508</b>	<b>11,413,277</b>	<b>188,231</b>	<b>-</b>	<b>11,601,508</b>
<b>Net Liquidity</b>	<b>18,026,727</b>	<b>13,282,869</b>	<b>1,548,427</b>	<b>3,195,431</b>	<b>18,026,727</b>

#### 4.2.3. Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rate, equity prices and foreign exchange rates.

Market risk arises from the uncertain movement in fair value of the investments that stems principally from potential changes in sentiment towards the investment, the viability of future earnings reflected in the current perceived value of the investment, and the fluctuations in interest rates and foreign currency exchange rates. Market risks also arise on account of the fluctuation in the value of liabilities held.

##### 4.2.3.1. Interest rate risk

Interest rate risk is defined as the exposure to changes in interest rate in respect of income earning assets. This risk is monitored through periodic reviews of the Company's interest-bearing assets and liability position.

There are no financial assets held at variable interest rates. Accordingly, the Company has no significant exposure to interest rate risk.

##### 4.2.3.2. Foreign currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Company primarily transacts in Uganda shillings and a significant portion of its assets and liabilities are denominated in the same currency. The Company does not have significant exposure to foreign currency risk because most of its transactions are denominated in Ugandan Shillings.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.3. Capital risk management

The primary objective of the Company's capital management is to maintain a strong credit rating and healthy capital ratios in order to support the business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares.

The margin over the statutory limit solvency requirement is needed for the following reasons:

- ⇒ As a buffer over regulatory capital requirements
- ⇒ To fund new business growth
- ⇒ To maintain its financial credit rating
- ⇒ To allow for any corporate action that may arise

The Insurance Regulatory Authority of Uganda also specifies the minimum amount and type of capital that must be held by the Company in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the period. The Company carries out necessary tests to ensure continuous and full compliance with such regulations and it has complied with all the local solvency regulations during the period under review.

#### Share capital

The Company has paid up capital of Ushs 14,574 million is above the required paid-up capital of Shs 6,000 million as per the Insurance (Capital Adequacy and Prudential Requirements) Regulations 2020.

#### Solvency requirements

Under Ugandan Insurance Act, the Insurance Regulatory Authority of Uganda ("IRA") is mandated to use Risk Based Supervision (RBS) as a supervisory approach of regulating licensees on a risk sensitive basis. IRA introduced a framework for RBS to be implemented by insurance companies.

RBS in essence is divided into three pillars as shown below:

- ⇒ **Pillar 1** – RBS sets out minimum capital requirements that insurance companies and HMOs are required to meet and specifies valuation of assets and liabilities.
- ⇒ **Pillar 2** – Includes the supervisory review process, systems of governance and risk management.
- ⇒ **Pillar 3** – Disclosure and supervisory reporting regime, under which defined reports to the regulator and public are required to be made.

Capital adequacy under the RBS framework is measured based on requirements which are enshrined in the draft Insurance (Capital Adequacy and Prudential Requirements) Regulations 2020. The requirements in the regulations are based on the solvency 2 framework of the European Union. Capital required includes amount for: credit risk; market risk; operational risk, concentration risk, liquidity risk and insurance risk which are determined based on specifications set out in the regulations.

As at 31 December 2021, application of the RBS framework to the Company gave rise to a capital requirement as shown below:

	2022 Ushs'000	2021 Ushs'000
Capital available	12,761,238	11,818,303
Capital required	6,000,000	6,000,000
Capital Adequacy Ratio	209%	197%
Prescribed Capital Adequacy Ratio	200%	200%
Capital deficit	0%	3%

The Company's Capital Adequacy Ratio of 209% was above the required amount of 200%.

## 5. INSURANCE RISK MANAGEMENT

### 5.1. Exposure to insurance risk

The Company underwrites risks that natural persons, corporates or other entities wish to transfer to an insurer. Such risks include the perils around casualty, property, performance bonds and professional indemnity that may give rise to an insurable event. As such, the Company is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims are greater than expected. Insurance events are, by their nature, random and the actual number and size of events during any one period may vary from those estimated and experienced in prior periods.

The Company underwrites primarily short-tail risks i.e. insurance under which claims are typically settled within one to two periods of the occurrence of the events giving rise to the claims, and risks that are long-tail in nature represent an insignificant portion of the Company's insurance portfolio. Consequently, whilst the Company may experience variations in its claims patterns from one period to the next, the Company's exposure at any time to insurance contracts issued more than one period before is limited.

The product features of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts in the Company are set out below:

- ⇒ **Assets all risks** – provides indemnity for losses sustained to the insured's assets on commercial lines.
- ⇒ **Contractors all risks / engineering** – provides indemnity for losses sustained as a result of structural damages to construction work.
- ⇒ **Fire** – provides indemnity for damages to immovable property, for the value of property as well as consequential loss, sustained through fire, storm, wind, water or earthquakes, including mining tremors. The properties insured are residential (for personal use) and commercial.
- ⇒ **Theft** – provides indemnity for losses suffered to householders sustained through accidental damage and theft.
- ⇒ **Liability** – provides indemnity for losses sustained due to accidental bodily injury/illness or damages relating to insured assets.
- ⇒ **Motor** – provides indemnity for losses in relation to all types of motor vehicles. The risks covered by this type of contract include fire, theft, impact, and third-party liability cover, excluding liability that is covered in terms of the Road Traffic Act.
- ⇒ **Professional indemnity** – provides indemnity for losses sustained as a result of litigation against professionals.

### 5.2. Limiting exposure to insurance risk

The Company limits its exposure to insurance risk through setting a clearly defined underwriting strategy and limits, adopting appropriate risk assessment techniques and the reinsurance of risks that exceed its risk appetite. Each of these risk management aspects is dealt with below in more detail.

#### 5.2.1. Underwriting strategy, limits and policies for mitigating insurance risk

The Company underwriting strategy seeks diversity to ensure a balanced portfolio of insurance risks. The strategy also aims to establish a sufficiently large portfolio of risks to reduce the variability of the outcome. To this end, the Company underwrites a wide variety of risks spread across personal and commercial policyholders, which includes the underwriting of risks in niche markets with favourable claims experience. Using sum insured as an indicator, the table below illustrates the Company's distribution of risks underwritten:

	2022 %	2022 %
All risk	16%	59%
Fire	17%	11%
WCA	13%	6%
CAR	4%	2%
Motor	34%	17%
Theft	9%	3%
Liability	7%	2%

## 5. INSURANCE RISK MANAGEMENT (continued)

### 5.2. Limiting exposure to insurance risk (continued)

#### 5.2.2. Risk assessment

The Company adopts a rigorous process before accepting any proposed insurance risk. Some of the factors considered during the underwriting stage include:

- ⇒ Past loss experience associated with the proposed risk;
- ⇒ Insurable interest;
- ⇒ Probability of ruin;
- ⇒ Level of loss mitigation procedures adopted by the proposed insured;
- ⇒ The location of the proposed risk;
- ⇒ Past and proposed rating terms of the risk;
- ⇒ Scope and terms of cover considered; and
- ⇒ Results of surveys completed, where applicable.

#### 5.2.3. Reinsurance strategy

The Company has an extensive proportional and non-proportional reinsurance programme that is aimed at reducing the volatility of the Company's underwriting results and protecting its capital. The reinsurance programme through a combination of treaty and facultative contracts reduces the Company's exposure in each of its classes of business to levels that are acceptable to management in terms of the Company's insurance risk appetite. The Company, through its head office security committee determines retention levels on an annual basis. Insurance contracts entered into which exceed the retention levels are reinsured for the level that the contract exceeds the retention.

#### 5.2.4. Reinsurance risk

The Company enters into reinsurance agreements to spread the insurance risk and minimise the effect of underwriting losses, which agreements are entered into only with approved rated reinsurers. The reinsurers agree to reimburse the Company when a claim is paid under a risk that is reinsured. The Company, however, remains liable to its policyholders regardless of whether the reinsurers honour their obligations in terms of the reinsurance agreements.

#### 5.2.5. Concentration risk

Within the insurance process, concentration of risk may arise when a particular event or series of events could impact heavily upon the Company's resources. The Company monitors the concentration risk by class of business. The Company has exposure to all major lines of business with very limited exposure to specialised areas of insurance. The exposure is consistent with the market and the Company's reinsurance policy limits the losses in any one class of business.

### 5.3. Sensitivity to insurance risk

The frequency and severity of claims can be affected by several factors. Changes in economic conditions such as exchange rates could impact claim levels. Driver behaviour and road conditions also impact motor claims experience. Crime levels impact claim experience for many lines of business. Weather conditions can have a significant impact on aggregate claims experience. Variation in the number and number of claims experienced in any one period is to be expected. Due to the random nature of claims experience, there is a possibility of an accumulation of many larger claims in any one period that result in unexpected losses for the Company.

The following table shows the sensitivity of the profit before tax as a result of adverse/growth developments of insurance liabilities by 10%. Such an increase could arise from higher frequency of the occurrence of the insured events or from an increase in the severity of resulting claims or from a combination of frequency and severity.

	2022 Ushs'000	2022 Ushs'000
Increase of 10% in insurance contract liabilities	791,170	783,697
Decrease of 10% in insurance contract liabilities	(791,170)	(783,697)

## 5. INSURANCE RISK MANAGEMENT (continued)

### 5.3. Sensitivity to insurance risk (continued)

The impact on profit before tax described above does not take account of changes in other variables, as they are considered to be less material.

The Company has the right to re-price the risk on renewal of the policy. It can also impose deductibles and reject fraudulent claims. At 31 December 2022, the Company believes that its liabilities for claims are adequate. However, changes to climate and crime rates in the country may produce a higher frequency and severity of claims than currently expected.

The Company enters into reinsurance agreements to spread the insurance risk and minimise the effect of underwriting losses, which agreements are entered into only with approved reinsurers. The reinsurers agree to reimburse the Company when a claim is paid under a risk that is reinsured.

The Company, however, remains liable to its policyholders regardless of whether the reinsurers honour their obligations in terms of the reinsurance agreements. The credit risk arising from the reinsurance transactions is managed by spreading the risk between both internationally recognised reinsurers with credit ratings and local reinsurers.

### 5.4. Claims development tables

The table below shows the Company liabilities for the past 3 years as at results of claims estimated and incurred but not reported.

	2020 Ushs'000	2021 Ushs'000	2022 Ushs'000
Insurance contract liabilities	5,046,885	7,836,972	7,911,701
Incurred but not reported (IBNR)	1,108,897	1,839,015	2,208,434
Claims outstanding	3,937,988	5,997,957	5,703,267

The following table shows the estimates of cumulative paid claims to date for each successive accident year at each reporting date. The presentation of the claims development tables for the Company is based on the actual date of the event that caused the claim (accident year basis). The claims development table represents the development of actual claims paid for continuing operations.

#### Short term insurance contract liabilities - gross claims paid in respect of the reporting year

	2020 Ushs'000	2021 Ushs'000	2022 Ushs'000	Total Ushs'000
2020	4,382,345	-		4,382,345
2021		5,147,391		5,147,391
2022			6,384,626	6,384,626

## 6. OPERATIONAL RISK

Generally, all business activities contain some aspects of operational risk. The Company has established a comprehensive framework to identify, assess, quantify, mitigate and report on operational risks within the organisation.

As part of this process, operational risks are identified for key business areas and are qualitatively assessed. Risks identified and assessed above certain thresholds must be evaluated for mitigation. Any resulting plans for improvement actions are documented and tracked on an ongoing basis. In addition to the operational risk assessments, loss events above a threshold determined by policy are documented and evaluated in a Company-wide data base. Where needed, improvement actions are put in place to avoid recurrence of such operational loss events.

Specific processes and systems are put in place to focus on high-priority operational matters such as outsourcing, information technology and managing business continuity. A key task is keeping the business continuity plans up to date, with an emphasis on recovery from unexpected events such as natural catastrophes and the possibility of a pandemic.

## 6. OPERATIONAL RISK (continued)

The Company continues to strengthen the consistency, documentation and assessment of our internal controls for significant processes. Although primarily focused on important controls for financial reporting, this effort also includes related operational and compliance controls.

### 6.1. Risks to reputation and strategic risks

As with operational risk, every risk type has potential consequences for the Company's reputation. Effectively managing each type of risk helps reduce the threats to reputation. The Company preserves its reputation by adhering to all applicable laws and regulations, and by following the core values and principles of the Company, which include, among others, integrity and good business practice. Strategic business decisions by nature involve risks. These risks are reduced through risk assessment processes and tools. Executive committees regularly assess key strategic risk scenarios for the Company as a whole.

### 6.2. Legal risk

Legal risk is the risk that the Company may be exposed to contractual obligations which have not been provided for. The risk arises from the uncertainty of the enforceability, through legal or judicial processes, of the obligations of our customers and counterparties, including contractual provisions intended to reduce credit and product exposure.

<b>7. Insurance premium revenue</b>	<b>2022</b> Ushs'000	<b>2021</b> Ushs'000
Gross insurance premium revenue written	31,807,537	24,295,405
Gross unearned premium from prior year currently earned – note 21(c)	2,845,170	3,647,808
Gross unearned premium deferred during the year - note 21(c)	(3,609,525)	(2,845,170)
<b>Gross premium revenue earned</b>	<b>31,043,182</b>	<b>25,098,043</b>
Premium income ceded to reinsurers on insurance contracts issued	(22,812,445)	(17,670,033)
<b>Net insurance premium revenue</b>	<b>8,230,737</b>	<b>7,428,010</b>
<b>8. Investment income</b>	<b>2022</b> Ushs'000	<b>2021</b> Ushs'000
Interest on Government Securities	794,345	924,355
Interest on fixed deposits	518,481	822,524
	<b>1,312,826</b>	<b>1,746,879</b>
<b>9. Claims expenses</b>	<b>2022</b> Ushs'000	<b>2021</b> Ushs'000
Gross benefits and claims paid	6,384,626	5,147,391
Gross change in insurance contract liabilities:		
Change in the IBNR during the year – note 21b (i)	369,419	730,118
Change in outstanding claims during the year – note 21b(ii)	(294,690)	2,059,969
Total gross change in insurance contract liabilities	74,729	2,790,087
Claims recoveries from reinsurers	(2,926,987)	(4,256,582)
<b>Net claims and benefits expenses</b>	<b>3,532,368</b>	<b>3,680,896</b>

**10. Commission expense and income**

	2022 Ushs'000	2021 Ushs'000
Gross commission expense	4,051,401	3,584,798
Movement in deferred acquisition costs	(683,908)	133,803
Total commission expense	3,367,493	3,718,601
Commission earned	(4,761,043)	(2,804,978)
Movement in deferred acquisition revenue	557,019	(52,339)
Total commission income	(4,204,024)	(2,857,317)
Net commission expense	<b>(836,531)</b>	<b>861,284</b>

**11. Other operating expenses**

	2022 Ushs'000	2021 Ushs'000
<b>a) Expenses by nature</b>		
Employee benefits expense (note 11(b))	2,629,624	2,065,062
Auditor's remuneration	73,919	86,765
Directors' fees (note 18)	249,998	86,138
Directors' expenses (note 18)	22,415	23,046
Licence fees	75,533	85,144
Motor vehicle fuel costs and repairs	15,437	306,277
Insurance	77,125	40,196
Business acquisition cost	735,610	302,096
Bank charges	28,277	34,011
Depreciation (note 13)	101,527	85,322
Utilities	26,695	40,440
Subsistence travel and accommodation	242,811	321,947
Printing, stationery and postage	72,143	91,411
Telephone and fax	38,585	57,869
Business advertising and promotion	59,838	41,926
Professional fees	98,374	152,585
Office expenses	167,339	23,909
Office rent	121,889	89,600
Depreciation on right-of-use assets (note 14)	195,881	151,340
Lease interest expense (note 14)	27,662	22,147
Training and seminars	9,380	64,813
Premium/ Rein/ Stamp Levy	377,716	249,059
AGM expenses	43,219	18,286
	<b>5,490,997</b>	<b>4,439,389</b>
<b>b) Employee benefits expense</b>		
Salaries and wages	2,020,082	1,679,463
Social security benefit costs	205,407	159,793
Staff and other expenses	404,135	225,806
	<b>2,629,624</b>	<b>2,065,062</b>

## 12. Income Tax

	2022 Ushs'000	2021 Ushs'000
<b>a) Income tax expense</b>		
Current income tax expense	216,636	449,597
Deferred income tax charge	-	-
Income tax expense	<b>216,636</b>	<b>449,597</b>

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2022 Ushs'000	2021 Ushs'000
Profit before income tax	453,945	380,297
Tax calculated at the statutory income tax rate of 30% (2021: 30%)	136,184	114,089
Tax effect of:		
- income not taxable	(242,316)	(277,307)
- expenses not deductible for tax purposes	10,788	930,786
- movement in deferred tax asset not recognised	162,842	(767,568)
- withholding tax as a final tax	149,138	449,597
Income tax expense	<b>216,636</b>	<b>449,597</b>

The movement in the current income tax payable is as follows:

At start of year	-	431,180
Charge for the year	216,636	449,597
Tax paid	(216,636)	(880,777)
At end of year	-	-

### b) Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%). The movement on the deferred income tax account is as follows:

	2022 Ushs'000	2021 Ushs'000
At start of year	(608,224)	(1,375,792)
(Credit)/ charge to profit or loss	(162,842)	767,568
Income tax expense	<b>(771,066)</b>	<b>(608,224)</b>

The Company has not recognised the deferred income tax asset due to the uncertainty relating to availability of future taxable profits against which the asset can be utilised. The deferred income tax asset is attributable to the following items:

Year ended 31 December 2022	At 1 January Ushs'000	Movement Ushs'000	At 31 December Ushs'000
Accelerated capital allowances	2,822	(490)	2,332
Tax losses carried forward	(93,470)	93,470	-
Other deductible temporary differences	(517,576)	(255,822)	(773,398)
<b>Net deferred income tax asset</b>	<b>(608,224)</b>	<b>(162,842)</b>	<b>(771,066)</b>

## 12. Income Tax (continued)

Year ended 31 December 2021	At 1 January Ushs'000	Movement Ushs'000	At 31 December Ushs'000
Accelerated capital allowances	2,028	794	2,822
Tax losses carried forward	-	(93,470)	(93,470)
Other deductible temporary differences	(1,377,820)	860,244	(517,576)
<b>Net deferred income tax asset</b>	<b>(1,375,792)</b>	<b>767,568</b>	<b>(608,224)</b>

13. Property and equipment	Motor Vehicles Ushs'000	Computers, copiers & faxes Ushs'000	Furniture & Fittings Ushs'000	Total Ushs'000
<b>Cost</b>				
At 1 January 2021	252,236	184,216	486,841	923,293
Additions	-	66,929	28,004	94,933
Disposals	-	(19,154)	-	(19,154)
At 31 December 2021	252,236	231,991	514,845	999,072
At 1 January 2022	252,236	231,991	514,845	999,072
Additions	-	53,378	112,939	166,317
Disposals	-	(10,226)	(35,780)	(46,006)
At 31 December 2022	252,236	275,143	592,004	1,119,383
<b>Depreciation</b>				
<b>At 1 January 2021</b>	242,366	151,265	294,348	687,979
Charge for the year	7,523	16,583	61,216	85,322
Disposals	-	(5,495)	-	(5,495)
<b>At 31 December 2021</b>	249,889	162,353	355,564	767,806
<b>At 1 January 2022</b>	249,889	162,353	355,564	767,806
Charge for the year	2,347	32,927	66,253	101,527
Disposals	-	(5,253)	(17,944)	(23,197)
<b>At 31 December 2022</b>	252,236	190,027	403,873	846,136
<b>Carrying Value</b>				
<b>At 31 December 2021</b>	<b>2,347</b>	<b>69,638</b>	<b>159,281</b>	<b>231,266</b>
<b>At 31 December 2022</b>	<b>-</b>	<b>85,116</b>	<b>188,131</b>	<b>273,247</b>

## 14. Leases

The statement of financial position shows the following amounts relating to leases:

### i). Amounts recognised in the balance sheet

	2022 Ushs'000	2021 Ushs'000
<b>Right-of-use assets</b>		
Offices	433,740	245,756
<b>Lease liabilities</b>		
Current	223,543	173,338
Non-current	188,231	63,942
	<b>411,774</b>	<b>237,280</b>

### ii). Amounts recognised in profit or loss

<b>Depreciation charge for right-of-use assets</b>		
Offices	195,881	151,340
Interest expense	27,662	22,147

### iii). The movement in right-of-use assets is as follows:

At start of year	245,756	400,109
Addition	410,914	-
Disposal	(27,049)	-
Depreciation	(195,881)	(151,340)
Other movements	-	(3,013)
At the end of year	<b>433,740</b>	<b>245,756</b>

### iv). The movement in lease liabilities is as follows:

At start of year	237,280	391,761
Additions	410,914	-
Disposal	(32,228)	-
Interest expense	27,662	22,147
Repayments – principal and interest	(231,854)	(176,628)
At the end of year	<b>411,774</b>	<b>237,280</b>

## 15. a). Deferred acquisition costs

	2022 Ushs'000	2021 Ushs'000
Deferred acquisition costs	1,533,437	849,529

Deferred acquisition costs relate to a proportion of the acquisition costs in respect of the unexpired terms of insurance policies that are in force at year-end.

## b). Deferred acquisition revenue

	2022 Ushs'000	2021 Ushs'000
Deferred acquisition revenue	1,447,743	890,724

Deferred acquisition revenue relates to portion of reinsurance commission in respect of the unexpired terms of insurance policies that are in force at year-end.

## 16. Debt instruments at amortised cost

a). Receivables arising out of direct insurance arrangements	2022 Ushs'000	2021 Ushs'000
Due from agents, brokers and intermediaries	3,049,797	1,249,982
Loss allowance	(1,576,889)	(503,369)
	1,472,908	746,613

## b). Receivables arising out of reinsurance arrangements

Due from reinsurers	10,874,755	12,326,445
Loss allowance	(128,357)	(194,028)
	10,746,398	12,132,417

## c). Movement in the above loss allowances was as follows:

At start of year	697,397	4,471,610
Movement in loss allowance recognised in profit or loss	1,007,849	(3,774,213)
At end of year	1,705,246	697,397

## d). Government securities

The movement in held to maturity investments is as follows:	6,671,199	6,333,598
At start of year	6,333,598	4,863,967
Additions	3,310,250	6,159,164
Maturities	(3,021,304)	(4,757,904)
Accrued interest	48,655	68,371
At end of year	6,671,199	6,333,598

## e). Deposits with financial institutions

Deposits with financial institutions	5,446,112	8,660,934
Less: ECL provision	(17,803)	(26,914)
	5,428,309	8,634,020

## 16. Debt instruments at amortised cost (continued)

The movement in deposits with financial institutions is as follows:

At start of year	8,634,020	9,855,523
Additions	5,157,340	8,097,246
Maturities	(8,097,246)	(9,512,706)
Accrued interest	(274,916)	24,923
Movement in ECL provision	9,111	169,034
At end of year	<b>5,428,309</b>	<b>8,634,020</b>

Deposits include a statutory deposit of Ushs 2,931 million that the Company is required to maintain with Bank of Uganda in line with the requirements of the Ugandan Insurance Act, which states that every insurer must maintain a security deposit of at least 10% of the prescribed paid-up capital of the Company. The Company is compliant with this requirement.

<b>f). Other debt instruments</b>	<b>2022 Ushs'000</b>	<b>2021 Ushs'000</b>
Staff loans and advances	<b>15,796</b>	<b>25,863</b>

### g). Cash and cash equivalents

Cash at bank and in hand	168,257	181,639
Cash at bank and in hand is comprised the following:		
Petty cash	1,525	3,367
Cash at bank	166,732	178,272
	<b>168,257</b>	<b>181,639</b>

The Company holds no collateral in respect to the bank balances. Cash and cash equivalents for purposes of the statement of cash flows comprise of the above cash and bank balances.

### h). Investment in unquoted shares:

At start of year	-	-
Additions	190,000	-
At end of year	<b>190,000</b>	-

## 17. Other receivables

	<b>2022 Ushs'000</b>	<b>2021 Ushs'000</b>
Withholding tax	27,751	41,772
Prepayments	21,610	16,000
Less: ECL	(3,938)	(2,342)
	<b>45,423</b>	<b>55,430</b>

## 18. Related party transactions

The Company is controlled by CIC Africa (Uganda) Limited a Company incorporated in Uganda. The ultimate parent and ultimate controlling party of the Company is the Co-operative Insurance Society Limited in Kenya.

Related party transactions mainly involve costs, premiums ceded, premiums written, management fees and board fees to directors. The following related party balances and transactions are included in the financial statements:

	2022 Ushs'000	2021 Ushs'000
<b>i). Amounts due from related parties</b>		
CIC Africa (Uganda) Limited	3,402,319	2,341,374
Less: ECL provision	(13,609)	(9,114)
<b>Net amount due from related parties</b>	<b>3,388,710</b>	<b>2,332,260</b>
<b>ii). Amounts due to related parties</b>		
<b>CIC General Insurance (U) Limited</b>	<b>948,021</b>	<b>226,270</b>

## 19. Share capital

Authorised, issued and fully paid at 1 January 2021, 31 December 2021 and 31 December 2022:

	2022 Ushs'000	2021 Ushs'000
1,457,401 ordinary shares with a par value of Ushs 10,000	14,574,010	14,574,010

## 20. Reserves

The Company complied with the regulatory reserve requirements as per the Ugandan Insurance Act. These are summarised below:

	2022 Ushs'000	2021 Ushs'000
Contingency reserve	2,528,499	1,892,348
Capital reserve	336,654	324,789
<b>Total reserves</b>	<b>2,865,153</b>	<b>2,217,137</b>

### a). Contingency reserve

	2022 Ushs'000	2021 Ushs'000
At start of year	1,892,348	1,406,440
Transfer during the year	636,151	485,908
At end of year	<b>2,528,499</b>	<b>1,892,348</b>

The contingency reserve is provided at 2% of the gross premiums as required by the Ugandan Insurance Act.

### b). Capital reserve

	2022 Ushs'000	2021 Ushs'000
At start of year	324,789	324,789
Transfer during the year	11,865	-
At end of year	<b>336,654</b>	<b>324,789</b>

The capital reserve is provided at 5% of the profit after tax as required by the Ugandan Insurance Act.

## 21. Insurance contracts liabilities

a). Insurance contract liabilities	2022 Ushs'000	2021 Ushs'000
Outstanding claims – note 21(b)	5,703,267	5,997,957
Claims incurred but not reported – note 21(b)	2,208,434	1,839,015
	<b>7,911,701</b>	<b>7,836,972</b>
<b>b). Movement in insurance contract liabilities</b>		
<b>i). Claims incurred but not reported</b>		
At start of year	1,839,015	1,108,897
Movement for the year	369,419	730,118
At end of year	<b>2,208,434</b>	<b>1,839,015</b>
<b>ii). Outstanding claims</b>		
At start of year	5,997,957	3,937,988
Movement for the year	(294,690)	2,059,969
At end of year	<b>5,703,267</b>	<b>5,997,957</b>

## 22. Payables arising from reinsurance arrangements

Reinsurance premiums payable	1,092,149	5,891,209
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## 23. Other payables

	2022 Ushs'000	2021 Ushs'000
Accruals	252,588	181,385
Statutory payables	567,011	178,530
Sundry payables	985,275	576,523
	<b>1,804,874</b>	<b>936,438</b>

## 24. Pension Plans

CIC General Insurance Limited contributes to the Uganda National Social Security Fund ('NSSF'). This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions regulated from time to time and are currently 10% of employees' gross salary. The Company's contributions are charged to profit or loss in the period to which they relate.

	2022 Ushs'000	2021 Ushs'000
10% NSSF statutory employer contribution	205,407	159,793

## 25. Contingencies

The Company, like all other insurers, is subject to litigation in the normal course of its business. The Company does not believe that such litigation will have a material impact on its profit or loss and financial position. Management has carried out an assessment of all the cases outstanding as at 31 December 2022 and did not find any that warranted a provision.



# Domestic Package

*We keep our word*

*Regulated by the Insurance Regulatory Authority of Uganda*



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