THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

1 DIRECTORS

The directors of the Company at the date of this report, all of whom have served since 1 January 2020, are shown on page 5.

2 COMPANY SECRETARY

Gemma Moshy
P.O. Box 78196
Dar es Salaam

3 SENIOR MANAGEMENT

NAME	DESIGNATION	QUALIFICATION	PERIOD
N. Shanmugarajan	Chief Executive Officer	BSc,PGDBA,PGDCA,AIII	Effective to 08/11/2020
Gilliard Mardai	Chief Executive Officer (AG)	ADI, Licenciate in Insurance	Effective from 10/11/2020
Thecla Magashi	Chief Financial Officer	CPA (T), MBA	
Victoria Israel	Human Resources Manager	MPA	
Gemma Moshi	Company Secretary and Legal Officer		

4 AUDITOR

KPMG
The Luminary
Plot No. 574, Haile Selassie Road
Msasani Peninsula Area
P. O. Box 1160
Dar es Salaam

5 REGISTERED OFFICE

4th Floor Masaki Ikon
Bains Avenue- Msasani Peninsula
P. O. Box 7390, Dar es Salaam
Tanzania

6 PRINCIPAL BANKERS

Citibank Tanzania Limited
Serengeti House, 1962 Toure Drive
P.O. Box 71625, Dar es Salaam

Exim Bank Tanzania Limited
Exim Tower, 1404/45 Ghana Avenue
P.O. Box 1431, Dar es Salaam

Stanbic Bank Tanzania Limited
Stanbic House, 99 Kinondoni Road
P.O Box 7725, Dar es Salaam

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

It gives me great pleasure to present the results of The Heritage Insurance Company Tanzania Limited for the year ended 31 December 2020. We continue to make good strides forward on all fronts by building upon our culture of sustainable progress & reliability while maintaining our position as the insurer of choice. The Company remains very strong in capitalization and liquidity, despite the moderate earnings in the year. In November 2020 Global Credit Rating Company ("GCR") affirmed the company financial strength rating at AA(TZ), with a "Stable Outlook" same rate as 2019. This rating reflects our Company's strong financial profile.

OVERVIEW

According to the National Bureau of Statistics, the Tanzanian economy recorded a growth rate of 4.5 percent in the third quarter of 2020 compared to a growth rate of 8.1 percent in the similar quarter of 2019. The annual average headline inflation rate in the year 2020 (from January to December 2020) has decreased to 3.3 percent from 3.4 percent recorded in 2019.

The insurance industry continues to offer a considerable range of opportunities in all sectors. In 2019, the Tanzania Insurance Regulatory Authority (TIRA) in collaboration with the Bank of Tanzania (BoT) launched Bancassurance as one of the distribution channels of Insurance services/products. Since its commencement, insurance companies continue to leverage on the Bancassurance channel through well-diversified branch networks around the country as a different medium of achieving a competitive advantage. It is vital to continue sensitizing other banks and financial institutions to utilize the opportunity. The insurance sector has also marked significant digital transformation through regulatory push to automate business operations by revamping TIRA MIS to allow for real time information monitoring for insurance transactions made within the market.

This move is in perception of the need to promote innovation and a simpler way on delivering insurance services, control of underwriting misconducts and gathering of industry information which will again assist stakeholders in research, publication, and analytics. Heritage has in place prudent in-house IT infrastructure to compliment the initiative while managing risks associated with this operational shift.

COMPANY PERFOMANCE REVIEW

Year 2020 was a challenging year to the Company and at the industry as well, this was due to various social and economic factors such as COVID 19 pandemic. As the world wrestled with the impact of the pandemic, most of the businesses focused on immediate spending needs and this made insurance being close to the bottom of the perking order, many of them reducing the coverage scope or not covering some risks at all except those which are warranted by law. Due to the travel restrictions brought up by the lockdown around the world, the tourism sector in Tanzania was greatly affected. Most of the hotels went on being non-operational and therefore leading to silent risk covers instead of full covers, this came with the reduction in the amount of annual premium collected to almost 60%. Classes greatly impacted were Fire and All risks. Like in the Fire and All risks classes, most clients who had Comprehensive motor insurance covers opted for Third party covers These challenges forced the Company to invest time in retail prospects, merely partnering up with more banks under

COMPANY PERFOMANCE REVIEW (CONTINUED)

Bancassurance channel and additionally being aggressive on acquiring new business, so as to be in a considerate mode as per the previous production.

Total Gross Written Premium (GWP), slightly decreased by 2% compared to the previous year results by attaining a GWP of Tshs 54.1 billion compared to Tshs 54.9 billion attained in prior year. Net earned premium (NEP) has decreased by 4% over previous year from Tshs 15.5 billion in 2019 to Tshs 14.8 billion in 2020.

Gross claims and benefit incurred stood at Tshs 6.7 billion (2019: Tshs 18.7 billion) while the Net claims and benefit incurred stood at Tshs 5.4 billion (2019: Tshs 5.7 billion).

Operating expenses (excluding prior year taxes) as a percentage of Gross Written Premium are at 16% (2019: 14%) which is slightly higher than the previous year. We assure you that we are continuously working to ensure that the expenses are contained to guarantee a profitable growth.

Investment income earned during the year was Tshs 2.3 billion (2019: Tshs 2.4 billion) which is a decrease of 4% compared to the previous year.

The Company attained a profit before tax of Tshs 1.5 billion against Tshs 3.4 billion attained in the previous year, this is a decrease of 56%. The decrease is mainly attributed to the decrease in Premium retained, increase in expenses, and decrease in other income. The Company strategy is to improve its net retention which will increase the profit margin in the coming years.

During the year the company did not declare dividend payment (2019: Tshs 3.0 billion). This decision was prudently made in view of the results attained.

Total Equity grew by 6% from last year to Tshs 15.8 billion (2019: Tshs 14.9 billion), the Company remains strong and dynamic.

FUTURE OUTLOOK

During the year the Company invested in the SMART policy platform which facilitated integration with most of the brokers, agents and banks to ensure fast and efficient underwriting and claims processing. This has enhanced customer access to our services making it extremely convenient for them to purchase our insurance products. The company continues to modernize its existing customer servicing points in Dar es Salaam, Arusha and Zanzibar.

In the years to come we will focus on intensifying the work we have been doing so far. In addition to all regulatory requirements, technological, digital, and operational developments will continue to be strategic pillars along with the consolidation of our quality and governance processes. We will continue working every day to achieve excellence in all areas of the Company which is always the best way to obtain very positive results, this approach will remain at the core of our strategy for the coming years. The future will bring opportunities as well as new challenges. We look upon all our stakeholders to lend us their continuous support as we leverage on all opportunities and build our company and the nation at large.

APPRECIATION

We are grateful to our esteemed clients, agents, and brokers for continuing to do business with us. We appreciate the support we have with banks through the bancassurance channel. We trust we have earned your enduring confidence and we look forward to your increased support and patronage going forward.

We acknowledge the valuable support we receive from our reinsurers. We are among insurance companies with the strongest reinsurance arrangement in the market, this enables the company to offer superiors services to all types of clients.

I sincerely offer a vote of gratitude to the shareholders for their continued support towards the company. We as the Directors have not recommended payment of dividend though we continue to maintain a strong Balance Sheet. We are confident that we are well-positioned to take advantage of opportunities within the Insurance Industry and the Company will continue generating return on Investments to the Shareholders.

We appreciate the support and leadership provided by the Commissioner of Insurance to the industry through Tanzania Insurance Regulatory Authority (TIRA). We remain committed to ensuring that our Company continues to implement all TIRA directives for the growth and sustainability of the Insurance Industry and the Economy at large.

Our achievements thus far would not have been possible without the consideration, understanding and collaboration of all our partners. I immensely thank the Board of Directors for their insights and guidance in ensuring that the Company is well run. Additionally, I also thank the management and staff for their commitment and dedication.

Thank You all for your support and cooperation.

	2021
YOGESH M. MANEK CHAIRMAN	Date

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of The Heritage Insurance Company Tanzania Limited ("the Company").

1 INCORPORATION

The Company is incorporated in Tanzania under the Companies Act of 2002 as a limited liability company.

2 VISION

Our vision is to be the obvious and preferred choice of risk partner for buyers, intermediaries and reinsurers, and the point of reference for the Tanzania insurance industry.

3 MISSION

Our mission is to maintain a viable and sustainable risk transfer enterprise that maximizes returns for key stakeholder groups, our shareholders, business partners and staff.

4 PRINCIPAL ACTIVITIES

The Company is registered for general insurance business, which is its principal activity.

5 COMPOSITION OF THE BOARD OF DIRECTORS

The directors of the Company at the date of this report and who have served since 1 January 2020, except where otherwise stated, are: -

Name	Position	Nationality	Age
Yogesh M. Manek	Chairman	Tanzanian	65
MAC Group Limited	Company Director	Tanzanian	N/A
Michael L. du Toit	Director	South African	59
Juma V. Mwapachu	Director	Tanzanian	78
Peter N. Gethi	Director	Kenyan	55
Godfrey Kioi	Director	Kenyan	56
Ravi Singh	Director	South African	45

6 COMPANY SECRETARY

The Company's Secretary as at the date of the report was Mrs. Gemma Moshy.

7 CORPORATE GOVERNANCE

The Board of Directors consists of 7 Directors. None of the directors hold executive positions in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least three times a year. The Board delegates the day to day management of the business to the Chief Executive Officer assisted by the Management Team. The Management Team is invited to attend board meetings and facilitate the effective control of the Company's operational activities, acting as a medium of communication and coordination between the various departments.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. During the year the Board had the following sub-committees to ensure a high standard of corporate governance throughout the Company.

Board Audit and Risk Committee

No.	Name	Position
1	Ravi Singh	Chairman
2	MAC Group Limited (Represented by Geetha Sivakumar)	Member
3	Michael L. du Toit	Member
4	Peter N. Gethi	Member

Board Investment Committee

No.	Name	Position
1	Michael L. du Toit	Chairman
2	MAC Group Limited (Represented by Geetha Sivakumar)	Member
3	Yogesh M. Manek	Member

Board Human Resources and Remuneration Committee

No.	Name	Position
1	Juma V. Mwapachu	Chairman
2	Yogesh M. Manek	Member
3	Godfrey Kioi	Member

During the year the Board of Directors held (4) meetings. The Board sub-committees held the following number of meetings: Audit and Risk Committee (5); Investment Committee (3); and Human Resources and Remuneration Committee (3) meetings.

8 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2020 and is of the opinion that they met accepted criteria.

The Board performs risk and internal control assessment through the Board Audit and Risk Committee.

9 CAPITAL STRUCTURE

The Company's capital structure for the year is shown in Note 14 to the financial statements.

10 MANAGEMENT TEAM

The management of the Company is under the Acting Chief Executive Officer, assisted by the following: -

- Chief Financial Officer
- Human Resources Manager

Company Secretary and Legal Officer

11 SHAREHOLDERS OF THE COMPANY

The total number of shareholders during the year 2020 is 2 (2019: 2 shareholders). Two directors; **Mr. Yogesh M. Manek** has an indirect interest of 37.33% (2019: 37.33%) in the shares of the Company through his shareholding in MAC Group Limited. **MAC Group Limited, our Corporate Director,** holds 40 % of shares in the company. No other director hold shares of the Company.

11 SHAREHOLDERS OF THE COMPANY (CONTINUED)

The shares of the Company are held as follows:

Name of the Shareholder	Number of Shares held in 2020	Number of Shares held in 2019
Heritage Insurance Company Kenya Limited	**48,000**	48,000
MAC Group Limited	**32,000**	32,000
	80,000	80,000

12 FUTURE DEVELOPMENT PLANS

The Company will continue to improve its profitability through provision of efficient and prompt services while carefully managing both costs and risks. The Company will also continue to focus on improving productivity while expanding to other Geographical areas and tapping into other market segments such as Bancassurance.

Based on gross premium written in the current year, the Company is one of the leading private insurance Companies in Tanzania. After deducting reinsurance premium, the Company registered net earned premium of Tshs 14.8 billion (2019: Tshs 15.5 billion).

The directors believe that the Company is well placed to consolidate its position as a leading Company in the market during the next two to three years.

13 PERFORMANCE FOR THE YEAR

During the year the Company recorded a net profit after tax for the year of Tshs 867 million (2019: Tshs 2,186 million).

14 TRANSFERS TO RESERVE

An amount of Tshs 470 million (2019: Tshs 437 million), has been transferred from the retained earnings to a contingency reserve, in accordance with Regulation 27(2)(b) of the Insurance Act 2009.

15 DIVIDEND

The Board of Directors did not declare dividend payment for the year (2019: Tshs 3.0 billion). This decision was prudently made in view of the results attained in the current year.

16 RESOURCES

Employees with appropriate skills and experience in running the business are a key resource available to the Company and they assist in pursuing the Company's business objectives.

17 PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks that may significantly affect the Company's strategies and development are mainly insurance risk, credit risk, debt and equity market price risk, foreign currency exchange rate risk and interest rate risk. More details of the risks facing the Company are provided in Note 6 to the financial statements.

18 SERIOUS PREJUDICIAL MATTERS

In the opinion of the directors, there are no serious prejudicial matters that can affect the Company.

19 SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's solvency margin is shown in Note 6 to the financial statements.

20 EMPLOYEES' WELFARE

Management and employees' relationship

There was continued good relation between employees and management for the year 2020.There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and staff.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind.

Training facilities

During the year the Company spent Tshs 62 million (2019: Tshs 50 million) for staff training in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical assistance

All members of staff and their spouses up to a maximum of four beneficiaries (dependents) for each employee were availed medical services by the Company through medical insurance.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of persons with disabilities should, as far as possible, be identical to that of other employees.

20 EMPLOYEES' WELFARE (CONTINUED)

Employees benefit plan

The Company pays contributions to publicly administered pension plan on mandatory basis which qualifies to be a defined contribution plan. The number of employees during the year was 56 (2019: 57).

21 GENDER PARITY

The Company had 56 employees, out of which 29 were female and 27 were male (2019: female 27, male 30).

22 RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 35 to these financial statements.

23 POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year (2019: Nil). Also, the Company did not make donations to charitable and other organizations during the year (2019: Tshs 0.34 million).

24 RELATIONSHIP WITH STAKEHOLDERS

The Company continued to maintain a good relationship with all stakeholders and the regulators.

25 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company encourages its employees' initiatives on participating in the CSR activities. No activities were carried out during the year.

26 APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 17 to 67 were approved at a meeting of Directors on 26 February 2021.

27 AUDITOR

KPMG was the auditor of the Company for the year ended 31 December 2020. As part of good governance, a rotation of the auditor is warranted. PwC has expressed willingness to take up the office, a resolution of appointing PwC as the new auditor of the Company will be put to the annual general meeting.

BY ORDER OF THE BOARD

YOGESH M. MANEK	GODFREY KIOI
CHAIRMAN	DIRECTOR
31 March 2021	31 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of The Heritage Insurance Company Tanzania Limited (the "Company") comprising the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards, and in the manner required by the Tanzanian Companies Act, 2002.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of The Heritage Insurance Company Tanzania Limited, as identified in the first paragraph, were approved and authorized for issue by the Directors on ………………….

YOGESH M. MANEK CHAIRMAN	GODFREY KIOI DIRECTOR
31 March 2021 DATE	31 March 2021 DATE

DECLARATION OF THE CHIEF FINANCIAL OFFICER FOR THE PERIOD ENDED 31 DECEMBER 2020

The National Board of Accountants and Auditor's (NBAA) according to the power conferred under the Auditor's and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I *Thecla Magashi*, being the Chief Financial Officer of The Heritage Insurance Company Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2020, have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements of The Heritage Insurance Company Tanzania Limited comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by: ....

Position: Chief Financial Officer

NBAA Membership No.: ACPA 2045

Date: 31 March....... 2021

KPMG
Certified Public Accountants
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Haile Selassie Road, Masaki
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Dar es Salaam, Tanzania

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of The Heritage Insurance Company Tanzania Limited ("the Company") set out on pages 17 to 69, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of The Heritage Insurance Company Tanzania Limited as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Tanzanian Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	**How the matter was addressed in our audit**
Insurance contract liabilities - TZS 10.3 billion	
Refer to Note 4(a)(i), 5(a)(ii) and 26 to the financial statements	
Insurance contract liabilities constitute about 23% of the Company's total liabilities. Valuation of these liabilities is highly judgmental and requires a number of assumptions to be made that have high level of estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred but have not yet been reported (IBNR) to the Company.	Our audit procedures in this area included: • Obtaining an understanding of the systems and processes used in determination of insurance contract liabilities by assessing the design and operating effectiveness of key controls around the claims handling and reserve setting processes of the Company. • Assessing whether there are unrecorded insurance contract liabilities at the year-end by inspecting claims reported and/or paid subsequent to financial year end.

KPMG

REPORT OF THE INDEPENDENT AUDITOR'S TO THE MEMBERS OF THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED (CONTINUED)

Report on the Audit of the financial statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
Estimates are made for both expected ultimate costs of claims reported and (IBNR) at the end of the reporting date. Some of the underlying techniques applied in the estimation of insurance contract liabilities include the Company's past claims experience which is used to project future claims development and hence ultimate costs. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved. Due to the size and complexity of estimating insurance contract liabilities, we considered this to be a key audit matter.	• Testing the adequacy of claims reserves by comparing the estimated amount of the reserve at claim reporting date to appropriate documentation and updates to the reserve based on final reports from loss adjusters; • Evaluating the claims paid post year end to assess the adequacy of reserves and completeness of outstanding claims as at year end; • Analysing the past trends of the claims by comparing prior years incurred claims but reported in the current year with the IBNR provision in prior year. • Assessing the reasonableness of IBNR estimation by comparing IBNR recorded in the previous year to the actual reported claims in the current year. • Reviewing of lawyers reports to check whether there are any insurance related claims against the Company and trace the same to the claims reserve register. • Assessing the adequacy of disclosures in the financial statements in accordance with the requirements of IFRS 4 *Insurance contracts.*

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled *The Heritage Insurance Company Tanzania Limited Report and Financial Statements for the year ended 31 December 2020*, 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.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG

REPORT OF THE INDEPENDENT AUDITOR'S TO THE MEMBERS OF THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED (CONTINUED)

Report on the Audit of the financial statements (Continued)

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Tanzanian Companies Act, 2002, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

KPMG

REPORT OF THE INDEPENDENT AUDITOR'S TO THE MEMBERS OF THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED (CONTINUED)

Report on the Audit of the financial statements (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued)

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

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

Report on Other Legal and Regulatory Requirements

As required by the Tanzanian Companies Act, 2002 we report to you, based on our audit that:

- in our opinion, proper accounting records have been kept by The Heritage Insurance Company Tanzania Limited;
- the individual accounts are in agreement with the accounting records of the Company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

KPMG
Certified Public Accountants (T)

Signed by: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam

Date: 31 - 03 - 2021

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TShs'000	2019 TShs'000
Insurance premium revenue	7	**54,775,324**	52,585,468
Insurance premium ceded to reinsurers		**(39,957,668)**	(37,113,448)
Net insurance premium revenue		**14,817,656**	15,472,020
Investment income	8	**2,391,482**	2,457,567
Commission earned		**6,419,599**	6,579,725
Fair value gain		**83,597**	32,427
Other income	9	**51,493**	156,413
Net income		**23,763,827**	24,698,152
Insurance claims	10	**(6,761,711)**	(18,761,148)
Insurance claims recovered from reinsurers	10	**1,340,787**	13,006,145
Net insurance claims	10	**(5,420,924)**	(5,755,003)
Operating expenses	11	**(9,103,298)**	(7,923,644)
Commission expense		**(7,663,712)**	(7,559,990)
Profit from operations		**1,575,893**	3,459,515
Finance cost	16	**(29,110)**	(44,725)
Profit before income tax		**1,546,783**	3,414,790
Income tax expense	12	**(679,668)**	(1,228,961)
Profit for the year		**867,115**	2,185,829
Other comprehensive income		**-**	-
Total comprehensive income for the year		**867,115**	2,185,829

The notes on pages 17 to 69 are an integral part of these financial statements.

Report of the Auditor – Page 13 to 16

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 TShs'000	2019 TShs'000
ASSETS			
Motor vehicle and equipment	15(a)	**713,681**	1,061,988
Intangible assets	15(b)	**398,906**	497,697
Equity investment at fair value through profit or loss (unquoted)	17	**1,036,807**	917,941
Deferred tax asset	20	**778,199**	924,599
Receivables arising out of reinsurance arrangements	6(i)	**3,137,035**	4,444,790
Reinsurers' share of insurance liabilities	18	**16,236,656**	26,034,505
Deferred acquisition cost	19(a)	**2,051,648**	1,937,742
Income tax recoverable	20	**968,630**	529,061
Other receivables	21	**1,330,227**	1,520,920
Government securities at fair value through profit or loss	22	**3,924,960**	3,947,893
Corporate bonds at fair value through profit or loss	23	**153,101**	148,270
Deposits with financial institutions	24	**28,280,044**	30,051,505
Cash and bank balances	25	**2,034,106**	1,911,040
Total assets		**61,044,000**	73,927,951
LIABILIITIES			
Insurance contract liabilities	26	**10,315,531**	19,880,572
Unearned premiums	27	**14,837,616**	15,439,704
Lease Liabilities	16	**431,197**	692,137
Creditors arising from direct insurance		**333,393**	81,534
Payables arising from reinsurance arrangements	28	**7,923,703**	11,024,009
Deferred acquisition income	19(b)	**1,636,726**	1,578,787
Other payables	29	**9,767,295**	10,299,784
Total liabilities		**45,245,461**	58,996,527
EQUITY			
Share capital		**8,000,000**	8,000,000
Contingency reserve		**7,698,016**	7,228,498
Retained earnings		**100,523**	(297,074)
Total equity	14	**15,798,539**	14,931,424
Total equity and liabilities		**61,044,000**	73,927,951

The financial statements on pages 17 to 69 were approved and authorised for issue by the board of directors on 31 March 2021 and were signed on its behalf by:

YOGESH M. MANEK
CHAIRMAN

GODFREY KIOI
DIRECTOR

GILLIARD MARDAI ACTING
CHIEF EXECUTIVE OFFICER

The notes on pages 17 to 69 are an integral part of these financial statements.

Report of the Auditor – Page 13 to 16

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital TShs'000	Contingency reserve TShs'000	Retained earnings TShs'000	Total TShs'000
Year ended 31 December 2020				
Balance at 1 January 2020	**8,000,000**	**7,228,498**	**(297,074)**	**14,931,424**
Total comprehensive income for the year				
Profit for the year	-	-	**867,115**	**867,115**
Other comprehensive income net of tax:	-	-	-	-
Total comprehensive income for the year	-	-	**867,115**	**867,115**
Transfer to contingency reserve	-	**469,518**	**(469,518)**	-
Transactions with owners:				
Payment of dividend	-	-	-	-
Total transactions with owners	-	**469,518**	**(469,518)**	-
Balance at 31 December 2020	**8,000,000**	**7,698,016**	**100,523**	**15,798,539**
Year ended 31 December 2019				
Balance at 1 January 2019	8,000,000	6,791,332	954,263	15,745,595
Total comprehensive income for the year				
Profit for the year	-	-	2,185,829	2,185,829
Other comprehensive income net of tax:	-	-	-	-
Total comprehensive income for the year	-	-	2,185,829	2,185,829
Transfer to contingency reserve	-	437,166	(437,166)	-
Transactions with owners:				
Payment of dividend for 2018	-	-	(3,000,000)	(3,000,000)
Total transactions with owners	-	437,166	(3,437,166)	(3,000,000)
Balance at 31 December 2019	8,000,000	7,228,498	(297,074)	14,931,424

The notes on pages 17 to 69 are an integral part of these financial statements.

Report of the Auditor – Page 13 to 16

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TShs'000	2019 TShs'000
Cash flows from operating activities			
Cash generated from operations	31	**(2,643,588)**	5,738,450
Dividend received		**18,285**	24,771
Interest received		**2,356,030**	2,434,963
Tax paid		**(972,837)**	(1,700,296)
Net cash used in operating activities		**(1,242,110)**	6,497,888
Cash flows from investing activities			
Purchase of items of motor vehicles and equipment	15(a)	**(91,562)**	(85,630)
Purchase of items of intangible assets	15(b)	**(18,565)**	(222,418)
Proceeds from disposal of items of motor vehicles and equipment		**7,415**	76,435
Purchase of investments		**(21,832,722)**	(5,499,967)
Proceeds from matured investments		**18,670,102**	9,298,720
Proceeds from sale of bonds		**-**	175,146
Net cash used in investing activities		**(3,265,332)**	3,742,286
Cash flows from financing activities			
Payment of lease liabilities	16	**(303,573)**	(303,521)
Dividends paid		**-**	(3,000,000)
Net cash used in financing activities		**(303,573)**	(3,303,521)
Net decrease in cash and cash equivalents		**(4,811,015)**	6,936,653
Cash and cash equivalents at the beginning of the year		**20,581,142**	13,644,489
Cash and cash equivalents at the end of the year	25	**15,770,127**	20,581,142

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. REPORTING ENTITY

The Heritage Insurance Company Tanzania Limited is domiciled in the United Republic of Tanzania. The addresses of its registered office and principal place of business are disclosed on page 1 of this report. The principal activities of the Company are underwriting of general insurance business as provided for under the Insurance Act No. 10 of 2009.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with and comply with the International Financial Reporting Standards (IFRSs) and in the manner required by Tanzanian Companies Act, 2002. Additional information required by the regulatory bodies is included where appropriate.

For the Tanzanian Companies Act, 2002 reporting purposes, in these financial statements the balance sheet is represented equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis and financial instruments that are measured at revalued amounts or fair values. The significant accounting policies are included in note 5

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Tanzanian Companies Act, 2002. Additional information required by the regulatory bodies is included where appropriate.

(c) Function and presentation currency

These financial statements are presented in Tanzanian Shillings (TZS), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousands (TZS '000'), except when otherwise indicated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4.

3. NEW STANDARDS AMMENDEMENTS AND INTEPRETATIONS

New standards, amendments and interpretations effective and adopted during the year

A number of new standards are effective from 1 January 2020, but they do not have a material effect on the Company's financial statements.

New standard or amendments
• Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
• Amendments to IAS 1 and IAS 8 Definition of Material
• Conceptual Framework for Financial Reporting issued on 29 March 2018
• IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
• Amendments to IFRS 16 Covid-19 Related Rent Concessions

Relevant new standards, amendments and interpretations issued but not yet effective and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

New standard or amendments	**Effective for annual periods beginning on or after**
• IFRS 17 Insurance Contracts	1 January 2023
• Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
• Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
• IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

a) insurance contracts, including reinsurance contracts, it issues;

b) reinsurance contracts it holds; and

c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and

b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

3. NEW STANDARDS AMMENDEMENTS AND INTEPRETATIONS (CONTINUED)

New standards, amendments and interpretations effective and adopted during the year (Continued)

IFRS 17 Insurance Contracts (Continued)

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates.

The entity:

a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and

Relevant new standards, amendments and interpretations issued but not yet effective

b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2023. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The Company is currently evaluating the potential impact of the new standard on the Company's financial statements.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the financial statements of the Company.

3. NEW STANDARDS AMMENDEMENTS AND INTEPRETATIONS (CONTINUED)

Relevant new standards, amendments and interpretations issued but not yet effective (Continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contract existing at the date when the amendment was first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment. The Company has determined that all contracts existing at 31 December 2020 will be completed before the amendments becomes effective.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the financial statements of the Company.

4. USE OF ESTIMATES AND JUDGMENTS

(a) Assumptions and estimation uncertainties

Below are the areas of estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent financial year(s):

i. Valuation of liabilities for insurance contracts (outstanding claims)

Estimates are made for both expected ultimate costs of claims reported and claims incurred but not reported (IBNR) at the end of each reporting date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The liabilities relating to insurance contracts are currently measured at a higher of 20% of outstanding claims reported at the reporting period or five percent (5%) of Net Premium Earned as required by Tanzania Insurance Regulations. In performing valuation of insurance contract liabilities, the Company considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Assumptions and estimation uncertainties (Continued)

i. Valuation of liabilities for insurance contracts (outstanding claims) (Continued)

The main assumption underlying techniques applied in the estimation of liability is that the Company's past claims experience can be used to project future claims development and hence ultimate costs. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved.

Refer to Note 30 for movements in insurance liabilities and reinsurance assets, where estimates have been used in determining the outstanding claims provision.

ii. Taxes

The Company is subjected to various taxes and levies by various Government and quasi-Government regulatory bodies. As a rule of thumb, the Company recognises liabilities for the anticipated tax /levies payable with utmost care and diligence.

However, significant judgment is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

iii. Valuation of unquoted equity investments

The Company uses comparable multiples techniques for valuing unquoted shares that are not based on observable market data. The Company reviewed several valuation techniques and selected a most appropriate one. The critical management judgment is in the selection of the valuation technique, Data and assumptions used in such valuation.

(b) Judgments

i. Asset useful lives

The useful lives of items of property, plant and equipment are estimated annually and are in line with the rate at which they are depreciated.

ii. Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Judgments (Continued)

iii. Measurement of ECL allowance for insurance and reinsurance receivable

The credit risk of customers is regularly assessed with a focus on the customer's ability and willingness to pay, reflected by the Company's estimation of the expected credit loss allowance on trade receivables. The Company estimates expected credit loss by assessing the loss that will be incurred given customer default based on past payment experience and adjusted by the cash flow expected from collateral or credit risk mitigation received where these are considered to be integral to the asset, and by assessing the probability of default taking into account information specific to the customer as well as pertaining to the country and economic environment in which the customer operates. The estimate also incorporates forward looking data.

Impairment is assessed on an individual basis for insurance and reinsurance receivables meeting pre- determined criteria, including customers in financial difficulties, and contracts with risk mitigation arrangements or significant financing arrangements, amongst others. Apart from receivables and contract assets that have been assessed and provided for individually, allowances are estimated using provision matrices by management with reference to the customers' credit risk ratings and aging analysis of the remaining trade receivable balances. Different provision matrices have been developed by the Company based on different customer groups which exhibit different risk characteristics.

If the financial condition of customers were to deteriorate or improve, or actual future economic performance is different to the Company's estimates, additional allowances or reversals may be required in future periods.

iv. Measurement of fair values

A number of the Company's accounting policies and disclosure require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has established control framework with respect to the measurement of the fair value. This includes a valuation team that has an overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant observable data inputs and valuation adjustments. If third part information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirement of the standards, including the level in the fair value hierarchy in which valuation should be classified. Significant valuation issues are reported to the audit committee.

When measuring the fair value of an asset or a liability, the Company uses observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for assets or liabilities that are not based on observable market (unobservable inputs).

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Judgments (Continued)

iv. Measurement of fair values (Continued)

If the input used to measure the fair value of asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfer between levels of the fair value hierarchy at the end of each reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 6- financial instruments.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Insurance contracts

Classification

Insurance contracts are those contracts that transfer significant insurance risk.

Classes of General Insurance Include Aviation insurance, Engineering insurance, Fire insurance – domestic risks, Fire insurance – industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance – private vehicles, Motor insurance – commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance (i.e., class of business not included under those listed above)

Recognition and measurement

i) Premium income

Premium income is recognised on assumption of risks and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the end of reporting period and is calculated using the 365 days method.

ii) Insurance contract liabilities

Provision for liabilities of insurance contracts is made of outstanding claims and claims settlement expenses for reported claims at the end of the reporting period together with a further estimate of claims incurred but not reported (IBNR) at that date. The liabilities (IBNR) relating to insurance contracts are currently measured as a higher of 20% of outstanding claims reported at the period end or five percent (5%) of Net Premium Earned as required by Tanzania Insurance Regulations. Material salvage and other recoveries including reinsurance recoveries are presented as assets.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which may vary from original assessment. Adjustments to the amounts of claim provisions established in prior years are reflected in the financial statements for the period in which adjustments are made and disclosed separately, if material.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Insurance contracts (continued)

Recognition and measurement (Continued)

iii) Commission earned and payable and deferred acquisition costs (DAC)

Commissions earned and payable are recognized in the period in which relevant premiums are written. A proportion of commissions' payable and earned is deferred and amortized over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

Deferred acquisition costs are amortised over the terms of the policies as premiums are earned and are computed using the 365 days method.

iv) Liability adequacy test

At the end of each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities (unearned premium reserves and outstanding claims) net of related deferred acquisition costs. In performing these tests, current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees are used. Any deficiency is immediately charged to profit or loss as part of claims incurred.

v) Reinsurance contracts held

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premium are accounted for in the same period as the related premiums for the direct inwards reinsurances being reinsured.

Reinsurance liabilities comprise premiums payable for outward reinsurance contracts and are recognised as an expense when due.

Reinsurance assets include balances due from reinsurance companies from paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance or investment contracts and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

Reinsurance assets and liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The impairment loss is recognised as an expense in profit or loss. The asset is impaired if objective evidence is available to suggest that it is probable that the Company will not be able to collect the amounts due from reinsurers. The Company has applied the exemption requirement for ECL model for reinsurance receivables until when they apply IFRS 17.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Insurance contracts (continued)

Recognition and measurement (Continued)

vi) Receivables and payables relating to insurance and investment contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers, reinsurers 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 recognizes that impairment loss in the profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the parameters mentioned in its credit policy.

vii) Salvage

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage).

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

(b) Revenue recognition

i) Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under note (a) (i) above.

ii) Commissions earned

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

iii) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Interest income for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognized within 'investment income' in the profit or loss using the effective interest rate method.

iv) Investment income

Investment income is stated net of investment expenses. Investment income is recognized on a time proportion basis that takes into account the effective interest yield on the asset.

v) Dividend income

Dividend income is recognised as income in the period in which the Company's right to receive payment as a shareholder is established.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Motor vehicles and equipment

All items of motor vehicles and equipment are initially recorded at cost. They are subsequently stated at historical cost less depreciation. Depreciation is calculated as per the requirements of IAS 16 i.e., when the asset is available for use. It is calculated on the straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of items of motor vehicles and equipment are determined by comparing the proceeds from disposal with the carrying amounts of the item and are recognized in profit or loss in other income. The asset's residual values, depreciation methods and useful lives are reviewed at each reporting date and adjusted, if appropriate.

(d) Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to five years).

Costs associated with minor customization or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three or five years).

(e) Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash-generating units).

(f) Financial assets and financial liabilities

i) Recognition

The Company initially recognise receivables on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Company becomes party to the contractual provisions of the instrument.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at; amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL

- the asset is held within a business model whose objective is to hold 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 Payment of Principal and Interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL;

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii) Business model assessment

The Company assesses the objective of a business model in which an asset is held at portfolio level because this best reflects the way business is managed and information is provided to management. The information considered includes how the performance of the portfolio is evaluated and reported to management and how managers of the business are compensated.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

iv) Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test)

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

iv) Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test) (Continued)

credit risk associated with the principal amount outstanding during particular period of time and other basic lending risks and costs (e.g. liquidity risk and administrative costs) as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers among others, prepayment and extension terms; features that modify consideration of the time value of money and contingent events that would change the amount and timing of cash flows.

v) Equity instruments

The Company has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI and are not subsequently reclassified in the Statement of profit or loss and Other Comprehensive Income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal.

Consequently, there is no review required for impairment. Dividends will normally be recognized in the Statement of profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised costs.

vi) Derecogntion

Financial assets

The Company derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset or (the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

vi) Derecogntion (Continued)

Financial assets (Continued)

and (ii) any cumulative gain or loss that had been derecognised in OCI is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

vii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

viii) Modification of financial assets and financial liabilities (continued)

If the modification or a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

ix) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realises the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

x) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficiency frequency and volume to provide price information on an ongoing basis.

It there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The choosen valuation technique incorporate all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e the fair value of the consideration given or received. If the Company determines the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

(g) Impairment of financial assets

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL

- Financial assets that are debt instruments (amortised cost and FVOCI) including loans and advances.
- Insurance and Reinsurance receivables out of policy period

No impairment loss is recognised on equity investments.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

The Company measures loss allowance at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- Debt instrument that are determined to have low credit risk at the reporting date including investment in government securities.
- Other financial instruments on which credit risk has not increase significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk is equivalent to the globally understood definition of 'investment grade'

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL is recognised are referred as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that the results from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred as 'Stage 2 financial instruments'

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows;

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- Insurance and Reinsurance receivables outside the policy period at the historical loss rate, current situation and forward-looking information.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, are credit impaired. A financial asset is 'credit impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it's becoming probable that the borrower will enter bankruptcy or other financial reorganisation or
- the disappearance of an active market for a security because of financial difficulties.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(h) Share Capital

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

Incremental costs directly attributable to issue of new ordinary shares are shown in equity as deduction from the proceeds net of tax.

(i) Retirement benefit obligations

(i) Retirement benefit obligations

The Company operates a defined contribution plan for its employees. A defined contribution plan is a plan under which the Company pays fixed contributions into a separate entity. All employees of the Company are members of the National Social Security Fund (NSSF).
The Company's contributions to the defined contribution schemes are charged to profit or loss in the period to which they relate. 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 relative to employee service in the current and prior periods.

(ii) Annual leave

The estimated monetary liability for employees' accrued annual leave entitlement at statement of financial position date is recognized as an expense accrual.

(j) Income tax

Income tax expense is the aggregate of the charge to profit or loss in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzanian Income Tax Act, 2004.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income tax (Continued)

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

(k) Dividends

Dividends on ordinary shares are recognized as a liability in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until approved by the shareholders.

(l) Comparatives

Where necessary, comparative information has been adjusted to conform to changes in presentation in the current year.

(m) Contingency reserves

According to the Tanzania Insurance Act, a contingency reserve is required to be maintained. This reserve shall not be less than 3% of the net premium written or 20% of the net profit, whichever is the greater. The reserve shall accumulate until it reaches the minimum paid up share capital or 50% of the net premiums, whichever is the greater.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company's activities expose it to a variety of risks, including insurance and/or financial risk. This section summarizes the way the Company manages key risks:

(a) Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Insurance risk (Continued)

Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The following tables disclose the concentration of insurance liabilities by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities in thousands of Tanzanian Shillings (gross and net of reinsurance) arising from insurance contracts:

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Concentration of Insurance liabilities by class of business

Year ended 31 December 2020

		Maximum insured loss			
Class of business		**TShs 0 m to 50 m**	**TShs 51 m to 500 m**	**TShs 501 m to 5,000,000 m**	**Total**
		TShs'000	**TShs'000**	**TShs'000**	**TShs'000**
Motor	Gross	102,213,379	149,455,129	1,348,196	253,016,704
	Net	94,038,123	130,962,653	885,182	225,885,958
Fire	Gross	6,851,796	193,625,093	15,388,833,080	15,589,309,968
	Net	9,340,663	172,873,064	1,477,276,827	1,659,490,554
Other	Gross	16,706,132	223,028,789	15,236,225,282	15,475,960,203
	Net	15,664,921	170,387,299	931,957,641	1,118,009,861
Total	**Gross**	125,771,307	566,109,011	30,626,406,558	31,318,286,876
	Net	119,043,707	474,223,016	2,410,119,650	3,003,386,373

The concentration by class or maximum insured loss at the end of the period is broadly consistent with the prior year.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Concentration of Insurance liabilities by class of business (Continued)

Year ended 31 December 2019

Class of business		Maximum insured loss: TShs 0 m to 50 m	TShs 51 m to 500 m	TShs 501 m to 5,000,000 m	Total
		TShs'000	TShs'000	TShs'000	TShs'000
Motor	Gross	98,356,943	176,805,650	86,788,705	361,951,298
	Net	89,908,296	152,165,391	77,209,163	319,282,850
Fire	Gross	7,410,193	172,324,886	31,897,526,389	32,077,261,468
	Net	6,596,846	151,492,710	1,458,952,219	1,617,041,775
Other	Gross	10,383,319	209,748,401	13,070,296,433	13,290,428,153
	Net	3,615,766	163,286,264	886,193,979	1,053,096,009
Total	Gross	116,150,455	558,878,937	45,054,611,527	45,729,640,919
	Net	100,120,908	466,944,365	2,422,355,361	2,989,420,634

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risk

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

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

The Company manages these positions within an investment committee and investment policy that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders and the availability of investments within the country.

(c) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- receivables arising out of direct insurance arrangements;
- receivables arising out of reinsurance arrangements; and
- reinsurers' share of insurance liabilities.

Other areas where credit risk arises include cash and cash equivalents and deposits with banks and other receivables.

The Company has no significant concentrations of credit risk. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or group of counterparties. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category are approved quarterly by the Board of Directors.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Company procedures on credit. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company risk department.

At 31 December 2020, the maximum exposure to credit risk of these financial assets was their carrying amounts of TZS 55.86 billion (2019: TZS 68.79 billion). The credit risk of these financial assets has not been hedged by the use of credit derivatives or similar instruments.

There was no collateral held in respect of the financial assets in the statement of financial position.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(d) Credit risk (Continued)

None of the above assets are past due or impaired except as indicated below:

	Direct insurance arrangements		Reinsurance arrangements	
	2020	2019	**2020**	2019
	TShs '000	TShs '000	**TShs '000**	TShs '000
Neither past due nor impaired	-	-	**17,442,155**	27,990,331
Past due but not impaired	-	-	**1,931,536**	2,488,964
Impaired	**1,050,439**	1,165,289	**1,396,154**	1,396,154
Gross	**1,050,439**	1,165,289	**20,769,845**	31,875,449
Less: Allowance for impairment	**(1,050,439)**	(1,165,289)	**(1,396,154)**	(1,396,154)
	-	-	**19,373,691**	30,479,295

The balances that are neither past due not impaired are due principally from leading brokers with the best credit reputation in the country.

Receivables arising out of re-insurance arrangements past due but not impaired;

	2020	2019
	TShs '000	TShs '000
Past due but not impaired:		
- by 91 to 180 days	**752,281**	548,326
- by 181 to 270 days	**511,295**	274,573
- by 271 to 365 days	**451,693**	999,796
Total past due but not impaired	**1,715,269**	1,822,695

All impaired receivables have been individually assessed:

	Direct insurance arrangements		Reinsurance arrangements	
	2020	2019	**2020**	2019
	TShs '000	TShs '000	**TShs '000**	TShs '000
Individually assessed impaired receivables				
- brokers	**1,008,970**	1,096,913	-	-
- direct clients	**41,469**	229,631	-	-
- Insurance companies	-	-	**1,396,154**	1,396,154
	1,050,439	1,326,544	**1,396,154**	1,396,154

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(d) Credit risk (Continued)

The movement on the impairment provision for impairment of receivables is as follows:

	Direct insurance arrangements		Reinsurance arrangements	
	2020	2019	**2020**	2019
	TShs '000	TShs '000	**TShs '000**	TShs '000
At beginning of year	**1,165,289**	1,326,544	**1,396,154**	1,396,154
Provision/(Release) for impairment	**(114,850)**	(161,255)	**-**	-
At end of the year	**1,050,439**	1,165,289	**1,396,154**	1,396,154

(e) Market risk

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various foreign currency transactions, primarily with respect to the US dollar. Foreign exchange risk arises from reinsurance dealings with foreign reinsurance brokers. This risk is significant and has in the past been mitigated through the use of a dollar-denominated account.

The Company`s foreign exposure as at 31 December 2020 is presented in the table below.

	2020 USD TZS '000	2019 USD TZS '000
Financial assets		
Cash and cash equivalent	740,029	1,189,691
Deposits with financial institutions	18,614,546	22,080,805
Receivables arising out of reinsurance arrangements	2,276,428	2,840,693
Other assets	-	1,708,451
Total assets	21,631,003	27,819,640
Financial liabilities		
Other payables	(6,525,852)	(1,751,429)
Payables arising from reinsurance arrangements	(6,069,873)	(8,982,285)
Insurance contract liabilities	(3,112,912)	(3,914,645)
Total Liabilities	(15,708,637)	(14,648,359)
Net on balance sheet position	5,922,366	13,171,281

At 31 December 2020, if the Tanzanian Shilling had strengthened/weakened by 3% against the US dollar, with all other variables held constant, post-tax profit for the year would have been TShs 178 million lower/higher (2019: 395 million), mainly as a result of foreign exchange loss/gains on translation of US dollar denominated.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(f) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The Company is exposed to daily calls on its available cash for claims settlement and other administration expenses. The Company does not maintain cash resources to meet all of these needs but maintains a balanced portfolio of short term and long-term investments to suit the Company's settlement cycle. Large, unexpected payments are met out of call deposits placed with various financial institutions at competitive interest rates. Prompt premium collections ensure that the day-to-day liquidity requirements of the Company are adequately met.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(f) Liquidity risk (Continued)

The table below presents the cash flows payable by the Company for financial liabilities by remaining contractual maturities at the reporting date.

As at 31 December 2020	Up to 1 Month TShs'000	1-3 Months TShs'000	3-12 months TShs'000	1-5 years TShs'000	Over 5 years TShs'000	Total TShs'000
Liabilities						
Insurance contract liabilities	-	-	**10,315,531**	-	-	**10,315,531**
Payable arising from reinsurance arrangements	-	-	**7,923,703**	-	-	**8,335,983**
Payable arising from insurance arrangements	-	**333,393**				**333,393**
Other payables	-	**9,767,295**	-	-	-	**9,767,295**
Lease Liabilities	-		**296,442**	**149,048**	-	**445,490**
Total financial liabilities (contractual maturity dates)	-	**10,100,688**	**18,521,888**	**148,543**	-	**28,771,119**

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the reporting date.

As at 31 December 2019	Up to 1 Month TShs'000	1-3 Months TShs'000	3-12 months TShs'000	1-5 years TShs'000	Over 5 years TShs'000	Total TShs'000
Liabilities						
Insurance contract liabilities	-	-	19,880,572	-	-	19,880,572
Payable arising from reinsurance arrangements	-	-	11,024,009	-	-	11,024,009
Payable arising from insurance arrangements	-	81,534	-			81,534
Other Payables	-	712,130	-	-	-	712,130
	127,406	3,662	172,453	388,616	-	692,137
Total financial liabilities (contractual maturity dates)	127,406	797,326	31,077,034	388,616	-	32,390,382

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(g) Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial position, are:

- to comply with the capital requirements as set out in the Insurance Act 2009;
- to comply with regulatory solvency requirements as set out in the Insurance Act; This is constantly monitored to ensure the Company's ability to meet all its obligations as they fall due is not compromised.
- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Insurance Act requires an insurance company conducting general insurance business to hold a minimum level of paid up capital of TShs 2,415 million for the year ended 31 December 2020;

As at period end, the Company had a share capital of 80,000 fully paid up shares totaling TShs 8,000 million. This is in excess of the minimum requirement.

(h) Solvency

General insurance businesses are required to keep a solvency margin i.e. admitted assets less admitted liabilities equivalent to the higher of TShs 1,506 million or 20% of the net written premium.

During the year the Company held more than the minimum paid up capital required as well as met the required solvency margins. The following table gives a quantitative analysis of the solvency margin as at 31 December 2020:

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(h) Solvency (Continued)

		Short term Business
Solvency margin as at 31 December 2020	**TShs' 000**	**TShs' 000**
Total admitted assets		**36,199,984**
Total admitted liabilities		**26,214,472**
a) Net Written Premium preceding year	**16,278,990**	
b) Net Written Premium current period	**15,650,589**	
Add: the greater of Tshs 1,506 million or 20% of net written premium		**3,130,118**
Total liabilities and minimum requirement		**29,344,590**
Solvency Margin		**6,855,394**
Solvency margin as at 31 December 2019		
Total admitted assets		39,316,744
Total admitted liabilities		30,707,644
a) Net Written Premium preceding year	12,288,570	
b) Net Written Premium current period	16,278,990	
Add: the greater of TShs 1,369 million or 20% of net written premium		3,255,798
Total liabilities and minimum requirement		33,963,442
Solvency Margin		5,353,302

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(i) Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value of information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2020	Fair value through profit or loss TShs '000	Amortised costs TShs '000	Other financial liabilities TShs '000	Total TShs '000	Level 1 TShs '000	Level 2 TShs '000	Level 3 TShs '000
Financial assets measured at fair value							
Equity investment at fair value through profit or loss (unquoted)	1,036,807	-	-	1,036,807	-	-	1,036,807
Government securities at fair value through profit or loss	3,924,960	-	-	3,924,960	-	3,924,960	-
Corporate bonds at fair value through profit or loss	153,101	-	-	153,101	-	153,101	-
	5,114,868	-	-	5,114,868		4,078,061	1,036,807
Financial assets not measured at fair value							
Receivables arising out of direct insurance arrangements	-	-	-	-	-	-	-
Receivables arising out of reinsurance arrangements	-	3,137,035	-	3,137,035	-	3,137,035	-
Reinsurers' share of insurance liabilities	-	16,236,656	-	16,236,656	-	16,236,656	-
Other receivables (excluding prepayments)	-	1,060,987	-	1,060,987	-	1,060,987	-
Deposits with financial institutions	-	28,280,044	-	28,280,044	-	28,280,044	-
Cash and bank balances	-	2,034,106	-	2,034,106	-	2,034,106	-
	-	50,748,828	-	50,748,828		50,748,828	-
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Insurance contract liabilities	-	-	10,315,531	10,315,531	-	10,315,531	-
Unearned premiums			14,837,616	14,837,616		14,837,616	
Payable arising from reinsurance arrangements	-	-	7,923,703	7,923,703	-	7,923,703	-
Payable arising from insurance arrangements	-	-	333,393	333,393	-	333,393	-
Other payables	-	-	9,767,295	9,767,295	-	9,767,295	-
Loans and borrowings	-	-	431,197	431,197	-	431,197	-
	-	-	43,608,735	43,608,735	-	43,608,735	-

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Accounting classification and fair values (Continued)

2019

	Fair value through profit or loss TShs '000	Amortised costs TShs '000	Other financial liabilities TShs '000	Total TShs '000	Level 1 TShs '000	Level 2 TShs '000	Level 3 TShs '000
Financial assets measured at fair value							
Equity investment at fair value through profit/ loss (unquoted)	917,941	-	-	917,941	-	-	917,941
Government securities at fair value through profit or loss	3,947,893	-	-	3,947,893	-	3,947,893	-
Corporate bonds at fair value through profit or loss	148,270	-	-	148,270	-	148,270	-
	5,014,104	-	-	5,014,104		4,096,163	917,941
Financial assets not measured at fair value							
Receivables arising out of direct insurance arrangements	-	-	-	-	-	-	-
Receivables arising out of reinsurance arrangements	-	4,444,790	-	4,444,790	-	4,444,790	-
Reinsurers' share of insurance liabilities	-	26,034,505	-	26,034,505	-	26,034,505	-
Other receivables (excluding prepayment)	-	1,340,982	-	1,340,982	-	1,340,982	-
Deposits with financial institutions	-	30,051,505	-	30,051,505	-	30,051,505	-
Cash and bank balances	-	1,911,040	-	1,911,040	-	1,911,040	-
	-	63,782,822	-	63,782,822		63,782,822	-
Financial liabilities measured at fair value							
Financial liabilities not measured at fair value							
Insurance contract liabilities	-	-	19,880,572	19,880,572	-	19,880,572	-
Unearned premiums			15,439,704	15,439,704		15,439,704	
Payables arising from reinsurance arrangements	-	-	11,024,009	11,024,009	-	11,024,009	-
Payables arising from insurance arrangements	-	-	81,534	81,534	-	81,534	-
Other payables	-	-	10,299,784	10,299,784	-	10,299,784	-
Loans and borrowings	-	-	692,137	692,137	-	692,137	-
	-	-	57,417,740	57,417,740	-	57,417,740	-

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Measurement of fair values

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on the Dar es Salaam Stock Exchange;

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The fair value of other classes of financial assets and liabilities that are not traded in an active market (for example, unquoted equity investments and corporate bonds) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments

- The fair value government security is calculated as the present value of the estimated future cash flows based on observable yield curves.

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

Note that all the resulting fair value estimates are included in level 2 or 3 which are disclosed under note 6. There were no transfers into or out of any levels during the year.

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized in level 3 of the fair value hierarchy.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Type of financial instrument	Fair value TShs'000	Valuation technique	Range of estimates (weighted average) for significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
2020				
Equity instruments	1,036,807	Market approach (multiple variable)	Discount for lack of marketability Specific discount: 1-24% (16%) Liquidity discount: 5-10% (7%)	Significant increase in the discount for lack of marketability would result in lower fair values
2019				
Equity instruments	917,941	Market approach (multiple variable)	Discount for lack of marketability Specific discount: 1-24% (15%) Liquidity discount: 5-10% (7%)	Significant increase in the discount for lack of marketability would result in lower fair values

7. INSURANCE PREMIUM REVENUE

The general insurance business is analysed into several sub-classes of business based on the nature of the assumed risks. The premium revenue of the Company, net of the movement in unearned premium reserve, can be analysed between the main classes of business as shown below:

	2020 TShs'000	2019 TShs'000
Motor	**8,144,763**	8,468,102
Fire	**27,043,940**	23,591,099
Accident	**10,644,549**	10,488,739
Marine	**2,941,160**	3,170,283
Engineering	**3,430,600**	4,501,251
Medical	**2,212,132**	1,896,654
Other	**358,180**	469,340
	54,775,324	52,585,468

8. INVESTMENT INCOME

Interest from government securities	**418,768**	518,800
Interest from corporate bonds	**19,654**	19,600
Bank deposit interest	**1,920,702**	1,894,396
Dividend income	**32,358**	24,771
	2,391,482	2,457,567

	2020 TShs'000	2019 TShs'000

9. OTHER INCOME

	2020 TShs'000	2019 TShs'000
Profit on disposal of motor vehicles	**7,415**	22,152
Foreign exchange gain	**25,702**	105,136
Miscellaneous Income	**18,376**	29,125
	51,493	156,413

10. INSURANCE CLAIMS

	2020 TShs'000	2019 TShs'000
Motor	**2,197,038**	2,275,192
Fire	**(59,867)**	15,435,045
Accident	**2,273,490**	1,455,737
Marine	**(23,979)**	473,998
Engineering	**548,264**	(2,284,614)
Medical	**1,857,324**	1,801,821
Other	**(30,559)**	(396,031)
	6,761,711	18,761,148

Claims and Loss Adjustment expenses 31 December 2020

	Gross Tshs'000	Reinsurance Tshs'000	Net Tshs'000
Current year claims and loss adjustment expenses	**15,536,990**	**(9,493,849)**	**6,043,141**
Additional (adjustments) costs for prior year claim & loss expenses	**(18,035,549)**	**14,678,408**	**(3,357,141)**
Increase in the expect cost of claims for unexpired risk	**9,260,270**	**(6,525,346)**	**2,734,924**
Total claims and loss adjustment expenses	**6,761,711**	**(1,340,787)**	**5,420,924**

10. INSURANCE CLAIMS (CONTINUED)

Claims and loss adjustment expenses 31 December 2019

	Gross Tshs'000	Reinsurance Tshs'000	Net Tshs'000
Current year claims and loss adjustment expenses	22,292,186	(16,886,471)	5,405,715
Additional (adjustments) costs for prior year claim & loss expenses	(25,213,431)	18,689,010	(6,524,422)
Increase in the expect cost of claims for unexpired risk	21,682,393	(14,808,684)	6,873,710
Total claims and loss adjustment expenses	18,761,148	(13,006,145)	5,755,003

11. OPERATING EXPENSES

	2020 TShs'000	2019 TShs'000
Staff costs	**4,708,036**	4,342,064
Auditor's remuneration	**88,594**	81,211
Depreciation and amortization	**570,748**	536,739
Operating lease rentals	**46,271**	37,373
Repairs and maintenance expenses	**15,759**	41,904
Directors' fees	**169,250**	149,250
Marketing	**97,299**	193,507
Bad debts recoveries	**(114,850)**	(87,943)
Revenue taxes	**304,074**	351,312
Services fees	**428,821**	344,160
Administration fees	**1,583,564**	1,334,321
Other operating expenses	**515,275**	599,746
Other taxes assessed, Interest and penalties	**690,457**	-
	9,103,298	7,923,644
Staff costs include the following:		
- Salaries and wages	**4,322,688**	3,969,288
- Social security benefit costs	**385,348**	372,776
	4,708,036	4,342,064
Other taxes assessed, Interest and penalties Include the following:		
- Value added taxes (VAT)	**641,111**	-
- Withholding tax (WHT)	**40,001**	-
- Interests and penalties	**9,345**	-
	690,457	-

12. INCOME TAX EXPENSES

Current income tax – current year	**533,268**	837,808
Current income tax – prior year	**-**	273,054
Deferred income tax – current year (Note 20)	**146,400**	118,099
	679,668	1,228,961
Profit before income tax	**1,546,783**	3,414,790
Tax calculated at the tax rate of 30%	**464,035**	1,024,437
Tax effect of:		
Expenditures permanently disallowed	**227,062**	110,835
Prior year Deferred tax adjustment	**(1,722)**	(59,442)
Prior year tax adjustment	**-**	273,054
Income not deductible for tax purposes	**(9,707)**	(119,923)
	679,668	1,228,961

13. DIVIDEND

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. In the current year, the Board of Directors did not propose payment of dividend (2019: TShs 3.0 billion).

14. EQUITY

(a) Capital Structure

The total authorised number of ordinary shares is 100,000 with a par value of TShs 100,000 of which 80,000 shares have been issued and fully paid (2019: 80,000 shares of TShs 100,000 each). The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

	2020 TShs'000	2019 TShs'000
Share capital (14(b))	**8,000,000**	8,000,000
Contingency reserve	**7,698,016**	7,228,498
Retained earnings	**100,523**	(297,074)
	15,798,539	14,931,424

(b) Movement of share capital

At 1 January	**8,000,000**	8,000,000
Proceeds from issue of shares	**-**	-
At 31 December	**8,000,000**	8,000,000

15. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(a) PROPERTY AND EQUIPMENT	Motor vehicles	Furniture and equipment	Right of use Assets	Total
Year ended 31 December 2020	**TShs'000**	**TShs'000**		**TShs'000**
Cost				
At start of year	**139,025**	**1,084,637**	**950,933**	**2,174,595**
Additions	**49,974**	**41,588**	**13,523**	**105,085**
Disposals	**(50,637)**	**-**	**(44,745)**	**(95,382)**
At end of year	**138,362**	**1,126,225**	**919,711**	**2,184,298**
Accumulated depreciation				
At start of year	**138,279**	**699,033**	**275,295**	**1,112,607**
Charge for the year	**8,669**	**160,523**	**284,200**	**453,392**
Disposals	**(50,637)**	**-**	**(44,745)**	**(95,382)**
At end of year	**96,311**	**859,556**	**514,750**	**1,470,617**
Net book value at 31 December 2020	**42,051**	**266,669**	**404,961**	**713,681**
Year ended 31 December 2019				
Cost				
At start of year	231,361	999,007	895,776	2,126,144
Additions	-	85,630	55,157	140,787
Disposals	(92,336)	-		(92,336)
At end of year	139,025	1,084,637	950,933	2,174,595
Accumulated depreciation				
At start of year	230,117	549,484	263,804	1,043,405
Charge for the year	498	149,549	11,491	161,538
Disposals	(92,336)	-		(92,336)
At end of year	138,279	699,033	275,295	1,112,607
Net book value at 31 December 2019	746	385,604	675,638	1,061,988

The cost of fully depreciated property, plant and equipment that are still in use amounts to Tshs 580,640 (2019: Tshs 571,265) with a notional depreciation of Tshs 174,355 (2019: Tshs 167,009).

The above carrying amount of right of use assets consists of 3 buildings used for office operations of which 2 are located in Dar es salaam and 1 in Arusha.

15. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

(b) INTANGIBLE ASSETS

	2020			2019
	Software TShs'000	Software in development TShs'000	Total TShs'000	Total TShs'000
Cost				
At start of year	**1,400,902**	**54,936**	**1,455,838**	1,297,768
Additions	**58,909**	**18,565**	**77,474**	222,418
Transfer from WIP	**-**	**(58,909)**	**(58,909)**	(64,348)
At end of year	**1,459,811**	**14,592**	**1,474,403**	1,455,838
Accumulated depreciation				
At start of year	**958,141**	**-**	**958,141**	856,753
Charge for the year	**117,356**	**-**	**117,356**	111,398
Transfer from WIP	**-**	**-**	**-**	(10,010)
At end of year	**1,075,497**	**-**	**1,075,497**	958,141
Net book value at 31 December	**384,314**	**14,592**	**398,906**	497,697

16. LEASE LIABILITES

LEASES

The Company has lease contracts for various buildings used for office operations. Leases of buildings generally have lease terms between 2 and 5 years. There are several lease contracts that include extension and termination options. The Company elected not to recognize right-of-use assets and lease liabilities for low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Below are the low value assets;

	2020 TShs'000	2019 TShs'000
Equipment rental	**3,095**	2,225
Zanzibar Office	**12,400**	10,182
Total	**15,495**	12,407

The carrying amount of right-of-use asset recognised and the movement during the period has been disclosed in the note 15 of this financial statement.
Set out below are the carrying amounts of lease liabilities and the movements during the period:

16. LEASE LIABILITES (CONTINUED)

	2020	2019
	TShs'000	TShs'000
1st January	**692,137**	895,776
Additions	**13,523**	55,157
Payments	**(303,573)**	(303,521)
Accretion of interest	**29,110**	44,725
At end of year	**431,197**	692,137
Current	**282,654**	303,521
Non-current	**148,543**	388,616
	431,197	692,137

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGHT PROFIT OR LOSS

	2020	2019
	TShs'000	TShs'000
At start of year	**917,941**	897,999
Fair value change on equity investment	**104,793**	19,942
Bonus share received	**14,073**	-
At end of year	**1,036,807**	917,941

Unquoted equity investment represents investment in unquoted shares of Tanzania National Reinsurance Corporation Limited, in which the Company holds 2% shareholding.

18. REINSURERS' SHARE OF INSURANCE LIABILITIES

Reinsurers' share of:		
Unearned premium	**9,790,796**	11,225,821
Notified claims outstanding	**5,371,550**	12,340,570
Claims incurred but not reported	**1,074,310**	2,468,114
	16,236,656	26,034,505

19. DEFERRED ACQUISITION COST AND INCOME

(a) DEFERRED ACQUISITION COST

Cost		
At start of year	**1,937,742**	2,024,321
Addition	**7,779,988**	5,531,244
Amortisation charge	**(7,666,082)**	(5,617,823)
At end of year	**2,051,648**	1,937,742

20. DEFERRED TAX ANDTAX RECOVERABLE (CONTINUED)

(a) DEFERRED TAX ASSET (CONTINUED)

Year ended 31 December 2019	1 January TShs'000	Prior Year Over/Under	Deferred tax movement for the year	Charge to profit or loss TShs'000	31 December TShs'000
Property and equipment	(7,519)	-	(5,954)	(5,954)	(13,473)
Revaluation on investments	(271,609)	-	(9,728)	(9,728)	(281,337)
Provisions	1,381,249	-	(160,118)	(160,118)	1,221,131
Foreign exchange	(59,423)	59,442	(1,741)	57,701	(1,722)
Deferred income tax asset	1,042,698	59,442	(177,541)	(118,099)	924,599

(b) INCOME TAX RECOVERABLE/PAYABLE

	2020	2019
	TShs'000	TShs'000
Tax payable		
Opening balance	**529,061**	(60,373)
Tax charge for the year	**(533,268)**	(1,110,862)
Tax paid during the year	**889,647**	1,524,089
Tax withheld during the year	**83,190**	176,207
Total tax receivable/(payable) at year end	**968,630**	529,061

21. OTHER RECEIVABLES

Sundry debtors	**463,986**	1,284,841
Prepaid expenses	**269,240**	179,938
Staff receivable	**142,653**	56,141
Deferred fees	**454,348**	-
	1,330,227	1,520,920

22. GOVERNMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	TShs'000	TShs'000
At start of year	**3,947,893**	4,099,978
Interest	**418,768**	518,800
Receipt of coupon	**(416,480)**	(511,247)
Matured bond	**-**	(175,146)
Fair value (loss)/gain	**(25,221)**	15,508
	3,924,960	3,947,893

23. CORPORATE BONDS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 TShs'000	2019 TShs'000
At start of year	**148,270**	161,013
Interest	**19,654**	19,600
Receipt of principal amount	**(18,848)**	(29,319)
Fair value (loss)/gain	**4,025**	(3,024)
At end of year	**153,101**	148,270

24. DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits with maturity of 90 days or less	**13,736,021**	18,670,102
Deposits with maturity of more than 90 days and less than 1 year	**14,544,023**	11,381,403
	28,280,044	30,051,505

Effective interest rates

The following table summarizes the effective interest rates at the year-end on the principal amount.

	2020 %	2019 %
Government securities	**11**	11
Deposits with financial institutions	**12**	9
Corporate bonds	**14**	14

25. CASH AND CASH EQUIVALENTS

	2020 TShs'000	2019 TShs'000
Cash and bank balances		
Cash at bank	**2,031,661**	1,903,914
Cash in hand	**2,445**	7,126
	2,034,106	1,911,040

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

	2020 TShs'000	2019 TShs'000
Cash and bank balances	**2,034,106**	1,911,040
Deposits with financial institutions maturing within 90 days (Note 24)	**13,736,021**	18,670,102
	15,770,127	20,581,142

26. INSURANCE CONTRACT LIABILITIES

	2020 TShs'000	2019 TShs'000
Short term non-life insurance contracts:		
Claims reported and claims handling expenses	**8,596,276**	16,567,143
Claims incurred but not reported	**1,719,255**	3,313,429
Total - short term	**10,315,531**	19,880,572

Short term non-life insurance contracts

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2020 are not material.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year ends also known as claim triangulation.

26. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Claim Incident Year	2014	2015	2016	2017	2018	2019	2020	Total
	Tshs '000'	Tshs '000'	Tshs '000'	Tshs '000'	Tshs '000'	Tshs '000'	Tshs '000'	Tshs '000'
Estimate of ultimate claims costs								
At the End of Accident Year	15,781,219	22,938,480	16,298,835	16,394,048	14,543,520	22,523,946	22,407,870	130,887,918
One year later	12,020,697	7,704,048	15,188,151	4,888,212	9,170,079	4,896,085	-	53,867,272
Two year later	1,766,776	7,998,442	1,773,485	1,124,203	247,129	-	-	12,910,035
Three year later	1,974,767	1,191,426	809,270	160,082	-	-	-	4,135,545
Four year later	879,279	429,660	225,967	-	-	-	-	1,534,906
Five year later	242,366	207,595	-	-	-	-	-	449,961
Six year later	276,027	-	-	-	-	-	-	276,027
	-	-	-	-	-	-	-	
Current estimate of Cumulative claims	276,027	207,595	225,967	160,082	247,129	4,896,085	22,407,870	28,420,755
Less: Cumulative payments to date	(42,250)	(96,956)	(12,488)	(234,474)	(2,319,232)	(6,736,304)	(8,686,871)	(18,128,575)
Liability in the statement of financial position	233,777	110,639	213,479	(74,392)	(2,072,103)	(1,840,219)	13,721,000	10,292,180
Liability in respect of prior years								23,351
Total gross claims liability included in the statement of financial position at 31 December 2020								**10,315,531**
Total gross claims liability included in the statement of financial position at 31 December 2019								**19,880,572**

Movement in insurance liabilities and reinsurance assets are shown in note 30.

27. PROVISIONS FOR UNEARNED PREMIUM AND UNEXPIRED RISKS

These provisions represent the liability for short term business contracts where the Company's obligations have not expired at the period end. The unexpired risk provision relates to insurance contracts for which the Company expects to pay claims in excess of the related unearned premium provision. Movements in the two provisions are shown below:

Unearned premium provision			**2020**			2019
	Gross	**Re-insurance**	**Net**	Gross	Re-insurance	Net
	TShs'000	**TShs'000**	**TShs'000**	TShs'000	TShs'000	TShs'000
At beginning of year	**15,439,704**	**(11,225,821)**	**4,213,883**	13,066,560	(9,680,575)	3,385,985
Movement during the year	**(602,088)**	**1,435,025**	**832,937**	2,373,144	(1,545,246)	827,898
At end of year	**14,837,616**	**(9,790,796)**	**5,046,820**	15,439,704	(11,225,821)	4,213,883
Unexpired risk provision						
At beginning of year	-	-	-	-	-	-
Movement during the year (net)	-	-	-	-	-	-
At end of year	-	-	-	-	-	-
Total as per statement of financial position	**14,837,616**	**(9,790,796)**	**5,046,820**	15,439,704	(11,225,821)	4,213,883

28. PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS

	2020 TShs'000	2019 TShs'000
International facultative	**2,454,026**	5,804,251
Local facultative	**5,469,677**	5,219,758
	7,923,703	11,024,009

29. OTHER PAYABLES

Due to related companies	**223,812**	119,723
Advance premium received	**8,616,511**	9,813,567
Claims payable	**74,465**	120,157
Levies payable	**128,634**	54,476
Accrued expenses	**723,873**	191,861
	9,543,483	10,180,061
	9,767,295	10,299,784

30. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

Short term insurance business

	2020			2019		
	Gross	**Re-insurance**	**Net**	**Gross**	**Re-insurance**	**Net**
	TShs'000	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**	**TShs'000**
Notified claims	**16,567,143**	**(12,340,570)**	**4,226,573**	13,247,021	(8,427,348)	4,819,673
Incurred but not reported	**3,313,429**	**(2,468,114)**	**845,315**	2,649,404	(1,685,469)	963,935
Total at beginning of year	**19,880,572**	**(14,808,684)**	**5,071,888**	15,896,425	(10,112,817)	5,783,608
Cash paid for claims settled in year	**(16,296,753)**	**9,703,612**	**(6,593,141)**	(12,975,180)	8,310,278	(4,664,901)
Increase in liabilities:						
- arising from current year claims	**3,902,451**	**(1,891,233)**	**2,011,218**	12,119,718	(11,006,287)	1,113,430
- arising from prior year claims	**2,829,261**	**550,444**	**3,379,705**	4,839,609	(1,999,858)	2,839,751
Total at end of year	**10,315,531**	**(6,445,860)**	**3,869,671**	19,880,572	(14,808,684)	5,071,888
Notified claims	**8,596,276**	**(5,371,550)**	**3,224,725**	16,567,143	(12,340,570)	4,226,573
Incurred but not reported	**1,719,255**	**(1,074,310)**	**644,945**	3,313,429	(2,468,114)	845,315
	10,315,531	**(6,445,860)**	**3,869,671**	19,880,572	(14,808,684)	5,071,888

31. CASH GENERATED FROM OPERATIONS

Reconciliation of the Company's profit before income tax to cash generated from operations:

	Note	2020 TShs'000	2019 TShs'000
Profit before income tax		**1,546,783**	3,414,790
Adjustments for:			
Investment income		**(2,391,482)**	(2,457,567)
Loss on sale of investments		**-**	-
Fair value loss on investments		**(83,597)**	(32,427)
Depreciation expense and amortization (Note 15)	**15**	**570,748**	536,740
Profit on sale of motor vehicle and equipment		**(7,415)**	(22,097)
Insurance and reinsurance receivables recoveries		**-**	-
Finance cost	**16**	**29,110**	44,725
Changes in:			
- Insurance contract liabilities, unearned premiums and reinsurers share of insurance liabilities		**(369,280)**	116,177
- Payables arising from reinsurance arrangements, deferred acquisition income and other payables		**(3,436,903)**	7,461,907
- Receivables from direct and reinsurance arrangements and other receivables		**1,498,448**	(3,323,798)
Cash generated from operations		**(2,643,588)**	5,738,450

32. FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2020	**Fair value through profit or loss TShs '000**	**Amortised cost TShs '000**	**Total TShs '000**
Financial assets			
Cash and balances with banks	-	2,034,106	2,034,106
Government securities held-to-maturity	3,924,960	-	3,924,960
Deposits with financial institutions	-	28,280,044	28,280,044
Equity investment at fair value through profit or loss (unquoted)	1,036,807	-	1,036,807
Corporate bonds at fair value through profit or loss	153,101	-	153,101
Receivables arising out of reinsurance arrangements	-	3,137,035	3,137,035
Reinsurers' share of insurance liabilities	-	16,236,656	16,236,656
Other receivables (Excluding prepayments)	-	1,060,987	1,060,987
	5,114,868	**50,748,828**	**55,863,696**

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2020 **Financial liabilities**	Other liabilities at amortised cost TShs '000
Insurance contract liabilities	10,315,531
Payables arising from reinsurance arrangements	8,335,983
Payables arising from insurance arrangements	333,393
Other payables	9,767,295
Loans and borrowings	431,197
	29,183,399

31 December 2019	Fair value through profit or loss TShs '000	Amortised cost TShs '000	Total TShs '000
Financial assets			
Cash and balances with banks	-	1,911,040	1,911,040
Government securities held-to-maturity	3,947,893	-	3,947,893
Deposits with financial institutions	-	30,051,505	30,051,505
Equity investment at fair value through profit or loss (unquoted)	917,941	-	917,941
Corporate bonds at fair value through profit or loss	148,270	-	148,270
Receivables arising out of reinsurance arrangements	-	4,444,790	4,444,790
Reinsurers' share of insurance liabilities	-	26,034,505	26,034,505
Other receivables (Excluding prepayments)	-	1,340,982	1,340,982
	5,014,104	**63,782,822**	**68,796,926**

31 December 2019 **Financial liabilities**	Other liabilities at amortised cost TShs '000
Insurance contract liabilities	19,880,572
Payables arising from reinsurance arrangements	11,024,009
Payables arising from insurance arrangements	81,534
Other payables	10,299,784
Loans and borrowings	692,137
	41,978,036

33. CONTINGENT LIABILITIES

(i) *Legal claims*

In common with the insurance industry in general, the Company is subjected to litigation arising in the normal course of insurance business. The Directors are of the opinion that such litigation will not have a material effect on the financial position or profits of the Company.

(ii) *Tax liabilities*

The Company has open tax position with Tanzania Revenue Authority as follows:

2003 to 2005: Value Added Tax (VAT), Corporate Tax, Withholding Tax and Pay As You Earn (PAYE) tax from year 2003 – 2005 totaling TShs 258 million. The Company paid Tshs 108 million, in year 2007 as Tax not in dispute. The remaining Tshs 150 million is in dispute and this is the maximum amount the company might pay.

2016-2017: Value Added Tax (VAT) and withholding tax totaling Tshs 776 million. The company paid Tshs 258 million as one third of the amount in dispute before filing for objection as per provisions of Tanzania Income Tax Act. In the opinion of the Directors no additional material liability is expected to arise from the disputed assessments. The maximum amount the company might pay is the balance of Tshs 518 million. The Company has filed an appeal in relation to the tax assessed.

2018: Withholding Tax amounting to Tshs 239 million. The company paid a deposit of Tshs 40 million as per provisions of Tanzania Income Tax Act. Directors are of the opinion that no additional material liability is expected to arise from the disputed assessments. The maximum amount the company might pay is the balance of Tshs 199 million. The Company has filed an appeal in relation to the tax assessed.

34. SUBSEQUENT EVENTS

On 4th February 2021, The Tanzania Revenue Authority issued a notice of confirmation of assessment for Withholding Tax and an adjusted assessment for Value Added Tax for the year of income 2018. The withholding taxes amounted to Tshs 40 million and the Value Added Tax amounted to Tshs 641 million. The impact of these taxes has been recognized as operating expenses and disclosed in Note 11.

35. RELATED PARTY TRANSACTIONS

The Company is controlled by Heritage Insurance Company Kenya Limited, incorporated in Kenya, which owns 60% of the Company's shares. The ultimate parent of the company is the Standard Bank of South Africa Limited. There are other companies which are related to the Heritage Insurance Company Tanzania Limited through common shareholding or common directorship.

The following transactions were carried out with related parties:

	Relationship	2020 TShs '000	2019 TShs '000
Gross Premium Written			
Stanbic Bank Limited	Common ownership	**93,938**	198,269
Strategis Insurance Company Tanzania Limited	Common ownership	**2,212,132**	13,436
		2,306,070	211,705

35. RELATED PARTY TRANSACTIONS (CONTINUED)

	Relationship	2020 TShs '000	2019 TShs '000
Claims Incurred			
Mac Group Limited	Shareholder	-	-
Stanbic Bank Tanzania Limited	Common ownership	**44,085**	7,758
Strategis Insurance Company Tanzania Limited	Common ownership	**1,863,797**	1,801,821
		1,907,882	1,809,579
Rental Expense			
CAM Logistics Limited - Rental	Common ownership	**279,220**	278,314
CAM Logistics Limited – Service Charge	Common ownership	**35,551**	35,434
		314,771	313,748
Outstanding Balance with Related Parties			
Due from Strategis Insurance Company Tanzania Limited	Common ownership	**382,980**	246,451
Due to The Heritage Insurance Company Kenya Limited	Parent Company	**215,797**	111,708
Due to Liberty Holdings (South Africa) Limited	Common ownership	**8,015**	8,015
		223,812	119,723
Investment in related Parties			
Exim Bank Tanzania Limited -Deposit and Bank balances	Common ownership	**3,797,577**	5,962,900
Stanbic Bank Tanzania Limited -Bank balances	Common ownership	**690,622**	378,217
		4,488,199	6,341,117
Key management personnel remuneration (excluding directors)		**1,171,889**	1,159,170
Post-employment and other short-term benefits		**145,606**	145,204
		1,317,495	1,304,374

Directors remuneration	2020		2019	
	Fees TShs '000	**Other payments TShs '000**	**Fees TShs '000**	**Other payments TShs '000**
Name of Director				
Yogesh M. Manek	**12,500**	**13,750**	12,500	12,000
MAC Group Limited	**10,000**	**17,750**	10,000	13,875
Michael L. du Toit	**10,000**	**17,750**	10,000	11,625
Juma V. Mwapachu	**10,000**	**10,250**	10,000	8,250
Peter N. Gethi	**10,000**	**15,500**	10,000	11,625
Godfrey Kioi	**10,000**	**6,250**	10,000	5,500
Ravi Singh	**10,000**	**15,500**	10,000	13,875
	72,500	**96,750**	72,500	76,750

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED
SUPPLEMENTARY INFORMATION

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT 2020

Class of insurance Business	Engineering	Fire Industrial	Liability	Marine	Motor Commercial	Motor Private	Personal Accident	Theft	Workmen's Compensation	Miscellaneous	2020 Total	2019 Total
Class code	2	4	5	6	7	8	9	10	11	12		
	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000
Gross premium written	3,235,381	26,371,555	6,153,823	3,084,515	3,085,534	5,162,769	2,069,256	298,361	24,392	4,687,648	54,173,234	54,958,985
Change in gross UPR	195,219	691,019	(138,025)	(143,355)	215,604	(319,143)	(131,874)	25,496	1,832	205,317	602,090	(2,374)
Gross earned premiums	3,430,600	27,062,574	6,015,798	2,941,160	3,301,138	4,843,626	1,937,382	323,857	26,224	4,892,965	54,775,324	52,585,468
Less: reinsurance payable	2,962,417	25,628,305	5,271,069	2,407,193	523,329	701,949	624,898	120,827	4,833	1,712,850	39,957,670	37,113
Net earned premiums	468,183	1,434,269	744,729	533,967	2,777,809	4,141,677	1,312,484	203,030	21,391	3,180,116	14,817,655	15,472,019
Net written premiums	*649,362*	*1,869,101*	*719,860*	*570,322*	*2,671,461*	*4,484,396*	*1,415,280*	*180,503*	*20,932*	*3,069,374*	*15,650,591*	*16,278,990*
Gross claims paid	1,409,409	6,609,097	144,314	507,092	753,918	1,996,410	860,849	123,310	61,702	3,860,652	16,326,753	14,777,001
Change in gross o/s claims	(861,144)	(6,668,964)	(266,295)	(531,071)	(331,244)	(222,046)	(314,227)	(4,915)	(32,111)	(333,024)	(9,565,041)	3,984,147
Less: Reinsurance recoverable	963,899	6,094,844	79,300	251,542	76,187	161,024	508,351	7,030	5,949	1,555,486	9,703,612	8,310,278
Net claims incurred	252,894	618,416	14,653	125,772	378,955	1,642,448	247,782	78,618	26,373	2,035,012	5,420,923	5,755,003
Commission receivable	(731,155)	(4,067,933)	(528,244)	520,535	(581,978)	(75,772)	(94,749)	(31,939)	(792)	(827,574)	(6,419,601)	(6,579,726)
Commission payable	652,788	4,165,154	438,745	335,561	391,275	568,608	333,284	61,608	4,607	712,082	7,663,712	7,559,991
Expenses of management	367,701	1,058,379	407,621	322,945	1,512,716	2,539,290	801,403	102,210	11,853	510,466	7,634,584	6,677,266
Total expenses and commissions	289,334	1,155,600	318,122	137,971	1,842,548	3,032,126	1,039,938	131,879	15,668	915,509	8,878,695	7,657,531
Underwriting profit/(loss)	(74,045)	(339,747)	411,954	270,224	556,306	(532,897)	24,764	(7,467)	(20,650)	229,595	518,037	2,059,485
Key ratios:												
Loss ratio	54%	43%	2%	24%	14%	40%	19%	39%	123%	64%	37%	37%
Commission ratio	20%	16%	7%	11%	13%	11%	16%	21%	19%	15%	14%	14%
Expense ratio	11%	4%	7%	10%	49%	49%	39%	34%	49%	11%	14%	12%

THE HERITAGE INSURANCE COMPANY TANZANIA LIMITED
SUPPLEMENTARY INFORMATION (CONTINUED)

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT 2019

Class of insurance Business	Engineering	Fire Industrial	Liability	Marine	Motor Commercial	Motor Private	Personal Accident	Theft	Workmen's Compensation	Miscellaneous	2019 Total	2018 Total
Class code	2	4	5	6	7	8	9	10	11	12		
	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000	Tshs' 000
Gross premium written	4,735,277	25,256,488	5,039,533	3,310,001	3,978,101	5,029,784	1,951,497	340,911	30,874	5,286,520	54,958,985	43,041,012
Change in gross UPR	(234)	(1,665)	231	(140)	(431)	(109)	(104)	(0)	11	68	(2,374)	(913,947)
Gross earned premiums	4,501,251	23,591,099	5,270,176	3,170,283	3,546,899	4,921,203	1,847,473	340,531	42,218	5,354,335	52,585,468	42,127,065
Less: reinsurance payable	4,041	22,052	4,429	2,628	574	707	412	64	10	2,196	37,113	29,640,882
Net earned premiums	460,114	1,538,795	841,205	542,373	2,973,270	4,214,017	1,435,129	276,033	32,564	3,158,517	15,472,019	12,486,182
Net written premiums	*429,906*	*1,723,097*	*826,964*	*584,491*	*3,316,865*	*4,340,567*	*1,548,029*	*275,563*	*23,745*	*3,209,762*	*16,278,990*	*12,288,570*
Gross claims paid	618,739	7,497,097	175,322	530,508	833,641	2,165,251	506,353	67,142	72,682	2,310,265	14,777,001	10,709,277
Change in gross o/s claims	(2,903,353)	7,937,947	102,976	(56,510)	(299,660)	(424,040)	(81,102)	685,338	(79,066)	(898,383)	3,984,147	2,053,766
Less: Reinsurance recoverable	343,636	7,049,860	130,640	152,889	79,320	222,224	143,240	30,039	7,768	150,664	8,310,278	7,922,164
Net claims incurred	436,720	738,869	132,675	350,408	469,720	1,565,414	121,326	133,562	(6,045)	1,812,354	5,755,003	4,840,879
Commission receivable	(762,531)	(4,181,485)	(415,888)	(643,475)	(76,780)	(89,050)	(103,684)	(12,970)	(2,090)	(291,773)	(6,579,726)	(4,381,406)
Commission payable	718,916	4,081,811	425,578	460,281	454,714	575,554	328,731	69,849	8,490	436,066	7,559,991	4,401,825
Expenses of management	198,458	795,435	381,752	269,819	1,531,168	2,003,740	714,618	127,209	10,961	644,104	6,677,266	5,776,337
Total expenses and commissions	154,844	695,761	391,442	86,625	1,909,102	2,490,244	939,666	184,088	17,360	788,398	7,657,531	5,796,756
Underwriting profit/(loss)	(131,449)	104,165	317,088	105,340	594,449	158,359	374,137	(41,617)	21,248	557,765	2,059,485	1,848,547
Key ratios:												
Loss ratio	95%	48%	16%	65%	16%	37%	8%	48%	-19%	57%	37%	39%
Commission ratio	15%	16%	8%	14%	11%	11%	17%	20%	27%	8%	14%	10%
Expense ratio	4%	3%	8%	8%	38%	40%	37%	37%	36%	12%	12%	13%