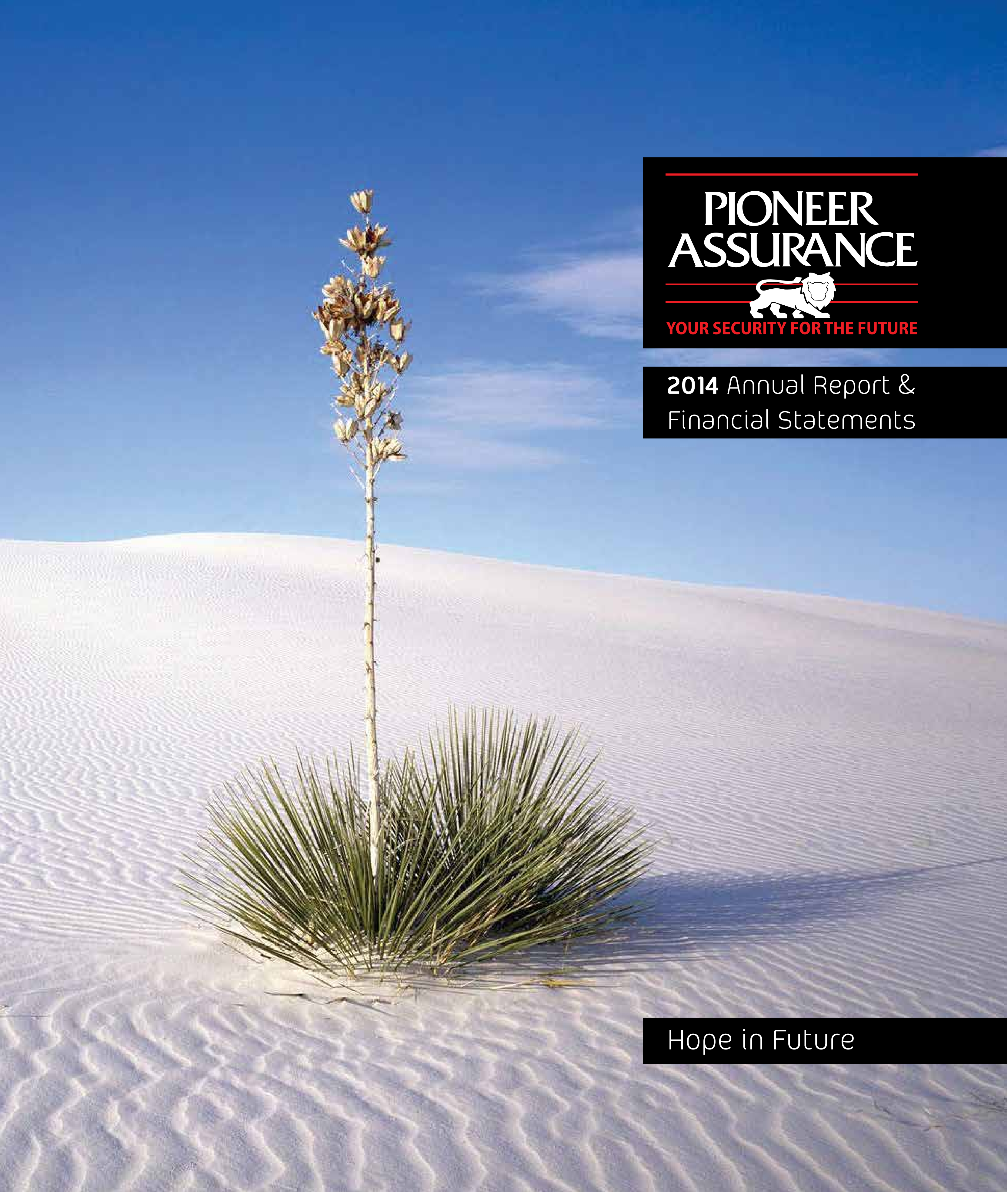


PIONEER ASSURANCE

YOUR SECURITY FOR THE FUTURE

2014 Annual Report & Financial Statements

Hope in Future

PIONEER ASSURANCE

YOUR SECURITY FOR THE FUTURE

MAVUNO INVESTMENT POLICY

INVEST WITH US. **SECURE YOUR FUTURE**

CONTENTS

VALUE STATEMENTS

Our Vision

To Be the Leading and Preferred Life and Health Insurance Company in Kenya

Our Mission

To offer Quality Insurance Products and Services to our Customers and Deliver Value to Stake Holders

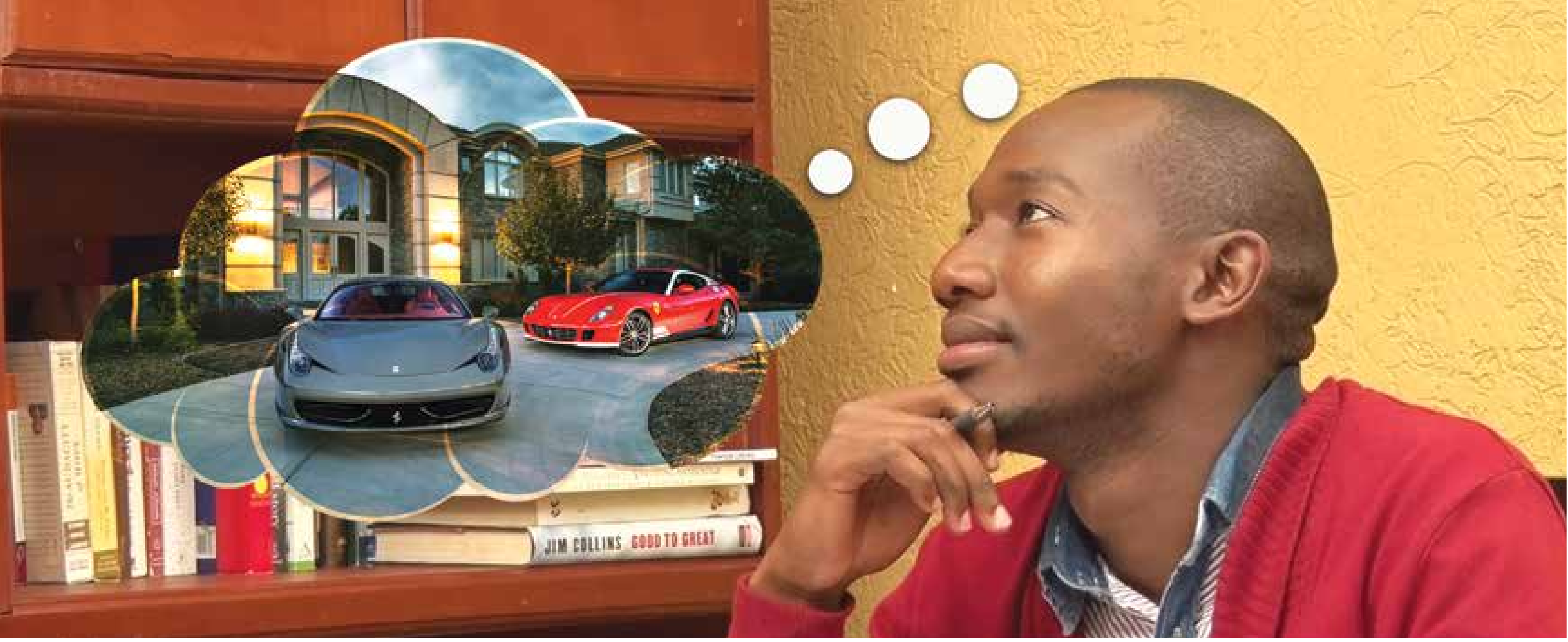
Core Values:

Team Work
Cooperation, Unity of Purpose, and Family like Values.

Integrity
Respect, Accountability, Transparency, Trustworthy

Empowerment
Responsibility, Delegation, Training, Communication, Open Door Policy.

Innovative
Creativity, Expertise, Imagination, Initiative



COMPANY/CORPORATE INFORMATION

BOARD OF DIRECTORS

Bonaventure Andrew Omuse – Chairman
Moses Kimani – Principal Officer
Amai Olubayi
John Mark Okondo
Michael Kenga Mure
Mtalaki Mwashimba
Shiraz Jeraj

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Pioneer Assurance Company Limited
Pioneer House, Moi Avenue
P.O. Box 20333-00200
Nairobi.

INDEPENDENT AUDITORS

PKF Kenya
Certified Public Accountants
P.O. Box 14077-00800
NAIROBI

COMPANY SECRETARY

Winniefred Nyagoha Jumba
Certified Public Secretary
P.O. Box 30029-00100
NAIROBI

PRINCIPAL BANKERS

Barclays Bank of Kenya Limited
P.O. Box 30120-00100
Nairobi.

Habib Bank (K) Limited
P.O. Box 30673-00100
Nairobi.

National Bank of Kenya Limited
P.O BOX 72866-00200
Nairobi

Ecobank Limited
P.O. Box 49584-00100
Nairobi

PRINCIPAL LEGAL ADVISERS

Mboya Wangong'u & Waiyaki Advocates
P.O. Box 74041-00200
Nairobi.

CONSULTING ACTUARY

Abed Mureithi
Actuarial Services East Africa Limited
P.O.Box 10472-00100
Nairobi

CHAIRMAN'S REPORT

"Profits after tax increased from Kshs 38 million in 2013 to Kenya Kshs 263 million in 2014"

CHAIRMAN'S REPORT

It is with pleasure that I present to you the Annual Report and Financial Statements for Pioneer Assurance Company Limited for the year ended 31 December 2014.

BUSINESS ENVIRONMENT

The macroeconomic environment in Kenya has been favourable with GDP growth rate estimated at 5.2% in 2014. The rebased growth rate in 2013 is at 5.6%. Rebasing of the GDP to year 2009 factor prices enabled the country to move from a low income economy to a middle income economy. Annual inflation rate was relatively low at 6.9% while foreign exchange rates remained stable throughout the year. The Central Bank of Kenya maintained the CBR rate at 8.5% all through the year and this resulted in stable interest rates. The Nairobi securities exchange rose from 4926 points in 2013 to 5112 points in December 2014. The total number of shares traded increased by 7.4% to 8.1billion compared to an increase of 38.7% recorded in 2013.

YEAR 2014 RESULTS

The company performance was significantly better compared to last year. The gross premium income grew significantly from Kshs 966 million in 2013 to Kshs 2.6 billion in 2014.The growth was supported by significant strides that the company is making in corporate business. Total assets grew from Kshs 1.2 Billion in 2013 to Kshs 2.1 Billion in 2014 while the life fund grew from Kshs 465 million to Kshs 730 million. Profits after tax increased from Kshs 38 million to Kshs 263 million in 2014. During the year the company won several trophies in the annual Association of Kenya Insurers (AKI) award ceremony as recognition of the significant growth especially in group life line of business. We won the company of the year award in corporate business, most improved company award, and we were second runners up in the best loss ratio category. At the Nairobi international trade fair our stand was ranked as runners up in the insurance category.

The company has successfully shed off medical business and this has enabled us to significantly grow the other aspects of the business.

FUTURE OUTLOOK

The Insurance act is being reviewed and we expect a more robust industry in the coming years. To this end we are developing and harnessing capacity in key control functions such as risk and actuarial services. The key objective is to ensure that we are able to grow profitably and remain competitive in the marketplace. Year 2015 will be the first year in our medium term strategic plan after successfully exiting medical business. Our focus in the next five years is on efficiency and revenue growth through strategic alliances. We are focusing on product innovation, developing the human capacity, customer service and effective distribution channels. We continue to attract top talent in all areas of the business and are geared for significant growth.

I once again express my confidence and wish to emphasize that the company is on the right direction. I also wish to assure all the stakeholders that my Board and the Management are committed to achieving the stability and growth for the benefit of all stakeholders.

APPRECIATION

I would like to conclude by taking the opportunity on behalf of my Board and Management to thank all those who contributed to the successful financial year 2014, our Clients, Brokers, Agents and other business partners for their continued patronage and support during the year. I also wish to thank the Management, both head office and field Staff for their hard work and dedication. Finally let me express my gratitude to my fellow Directors for their unreserved support accorded to me during the year.

Bonaventure Omuse
Chairman

BOARD OF DIRECTORS

Bonaventure Omuse
Chairman

Moses Kimani
Managing Director

John Okondo
Director

Shiraz Jeraj
Director

Amai Olubai
Director

Mtalaki Mwashimba
Director

Michael Mure
Director

MANAGEMENT TEAM

Moses Kimani
Managing Director

David K. Ronoh
Chief Operations Officer

Margaret Mwashimba
Human Resources & Administration Manager

Cyprian Ombogo
Head of Finance

Timothy Mutua
Life Manager

Isaac Maina
Marketing Manager, Corporate Business

Wanderi Ngunje
National Sales & Marketing Manager

Robert Ipomai
ICT Manager

STATEMENT OF CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors, Pioneer Assurance Company Limited is committed to developing and implementing policies that will enhance corporate governance in the company. These policies form the core of the company and ensure that there is proper ethics, transparency and accountability in the conduct of business.

COMPOSITION

The Board has members with diverse skills, experience and professional background. It consists of the Managing Director and six other non executive Directors. No individual in the Board can dominate its decision making. Proper information is supplied to the Board in a timely manner, in this regard, notices of Board meetings are circulated at least two weeks before Board meetings and detailed Board papers are circulated at least one week before any meeting.

BOARD COMMITTEES

The Board is responsible for the management of the company, and its main responsibility is to give guidance and control operations of the company. There are quarterly meetings held by the full Board where strategic and policy issues are discussed. Responsibility of the day to day running of the company has been delegated to the Chief Executive Officer. The Board has constituted three committees namely; Risk Audit and compliance committee, Finance and investment committee and, Remuneration & appraisal committee. All board committees have charters that govern their operations.

(i) Risk, Audit and compliance committee

The committee is comprised of three members and is scheduled to meet on a quarterly basis.

Membership:-

1)	Mr. John M. Okondo	Chairman	Non-Executive Director
2)	Mr. Amai Olubayi	Member	Non-Executive Director
3)	Mr. Mtalaki Mwashimba	Member	Non-Executive Director

The Managing Director attends meetings at the invitation of the committee. The functions of the audit committee are outlined in its terms of reference and include: Reviewing the reports and following up matters raised by auditors and the actuary; to review regulatory environment and develop strategies that are not in conflict with statutory and other regulatory requirements. The committee held three meetings during the year and all members attended.

(ii) Finance and Investment Committee

This committee is scheduled to meet on a quarterly basis and has four members

Membership:-

1)	Mtalaki Mwashimba	Chairman	Non-Executive Director
2)	Amai Olubayi	Member	Non-Executive Director
3)	Michael Mure	Member	Non-Executive Director
4)	Shiraz Jeraj	Member	Non-Executive Director
5)	Moses N Kimani	Member	Managing Director

The functions of the Investments Committee are outlined in its terms of reference and include: Developing and ensuring the implementation of investment policies and guidelines; measuring the company's performance against set benchmarks; reviewing the company's investments; and approving the acquisition and disposal of capital expenditure. The committee held three meetings during the year and all members attended

STATEMENT OF CORPORATE GOVERNANCE

(iii) Remuneration and appraisal Committee

This committee meets twice a year and has three members

Membership:-

1)	Mr. Bonaventure Omuse	Chairman	Non-Executive Director
2)	Amai Olubayi	Member	Non-Executive Director
3)	Moses Kimani	Member	Managing Director

The functions of the Remuneration and recruitment Committee are outlined in its terms of reference and include: Reviewing and approving salary reviews and bonuses; approving terms and conditions of service and any amendments thereto; developing guidelines on staffing skills and qualifications required; and reviewing appraisals for key management personnel. The committee held two meetings during the year and all members attended.

Apart from the Managing Director, no other Director or body related to a Director receives compensation from the company. Directors are paid a sitting allowance when they attend Board meetings; a register which is in the custody of the company secretary is used to confirm attendance. All board members have access to the records.

CORPORATE SOCIAL RESPONSIBILITY

The company gives special attention to its corporate social responsibility and it is involved in various projects affecting society in which it operates such as: Improving the health status of the needy and assisting deserving charities. The company also caters for the welfare of staff and that of their immediate families. The company has in place a medical scheme and last expense cover for the nuclear family of staff and agents, group life and accident covers for the staff.

TRAINING AND RECRUITMENT

The company has a well defined training and reward programme on professional courses for its staff. From time to time staff are sent on scheduled short-term training programs that are geared at improving the human capital capacity of the company. Appraisal of all staff is structured and is done semi annually. The company has in place a structured recruitment policy that ensures staff to be recruited posses the necessary skills to adequately serve the insuring public.

GOING CONCERN

The Board submits this annual report and audited financial statements for the year ending 31 December 2014. This annual report and audited financial statements present, in the opinion of the Directors, a fair, balanced and understandable assessment of the state of affairs of the company's position and prospect. The Board reports that the business is a going concern and it has no reason to believe that the company will not be a going concern into the foreseeable future.

Bonaventure Omuse
Chairman

Moses Kimani
Managing Director

Hope in adversity

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2014 which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activities of the company are those of provision of insurance and related services as licensed by the Kenyan Insurance Act. The company provides individual life assurance, group life assurance and pension administration.

RESULTS AND DIVIDEND

Profit for the year of Shs. 263,376,423 (2013: Shs. 38,074,483) has been added to shareholders' funds. The directors do not recommend payment of a dividend for the year, (2013: Nil).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 4. In accordance with the company's Articles of Association, no directors are due for retirement by rotation.

INDEPENDENT AUDITOR

PKF Kenya was appointed during the year and continues in office in accordance with Section 159(2) of the Kenyan Companies Act.

BY ORDER OF THE BOARD

Company Secretary
Nairobi

30th March 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements;
ii. Selecting and applying appropriate accounting policies; and
iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2014 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement

Approved by the board of directors on 30th March 2015 and signed on its behalf by:

Director **Director**

REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of the life assurance business of Pioneer Assurance Company Limited (the "company") as at 31 December 2014.

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

In my opinion, the life assurance business of the company was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance business did not exceed the amount of funds of the life assurance business at 31 December 2014.

Actuary
Mr. Abed Murithi

31st March 2015

REPORT OF THE INDEPENDENT AUDITORS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pioneer Assurance Company Limited as set out on pages 13 to 59 which comprise the statement of financial position as at 31 December 2014, statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Kenyan Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pioneer Assurance Company Limited as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

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

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
iii) The company's statement of profit or loss and statement of financial position are in agreement with the books of account.

Deloitte Kenya

Certified Public Accountants
PIN NO. P051130467R
Nairobi

31st March 2015

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Salim Alibhai – P/No 2151. 154/15

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 KShs	Restated 2013 KShs
Insurance premium revenue	4(a)	2,608,481,174	965,569,150
Unearned premiums	4(a)	-	2,528,844
Gross earned premiums		2,608,481,174	968,097,994
Premium ceded to reinsurers	4(b)	(959,905,273)	(85,633,328)
Net earned premiums		**1,648,575,901**	**882,464,666**
Investment income	5	146,392,066	67,745,582
Commissions income	6	66,989,030	9,125,984
Other income	7	2,859,311	3,807,805
Net income		**1,864,816,308**	**963,144,037**
Claims and policyholder benefits expense	8	(1,184,186,509)	(609,024,489)
Recoverable under reinsurance arrangements	8	158,781,100	9,362,976
Net claims payable		**(1,025,405,409)**	**(599,661,513)**
Operating and other expenses	9	(310,185,494)	(208,672,374)
Commission expense	11	(159,245,980)	(125,408,022)
Profit before tax		**369,979,425**	**57,151,607**
Tax	12(a)	(106,603,002)	(19,077,124)
Profit for the year		**263,376,423**	**38,074,483**
Earnings per share (basic and diluted)	13	175.58	25.38

The notes on pages 17 to 59 form an integral part of these financial statements.
Report of the independent auditor - page 12.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	2014 KShs	Restated 2013 KShs	Restated 2012
ASSETS				
Property and equipment	14	15,951,917	14,021,936	13,746,809
Intangible assets	15	7,844,540	10,273,823	2,168,619
Investment property	14	601,647,000	436,703,000	436,703,000
Financial assets at fair value through profit or loss				
- quoted investments	17(a)	11,239,661	12,164,872	5,844,465
- unquoted investment	17(b)	4,440,544	-	-
Investments with fund managers	18	43,031,393	36,949,711	28,818,799
Policy loans receivable	19	82,157,592	116,429,655	98,380,460
Government securities held to maturity	20	294,257,926	154,161,397	173,538,615
Corporate bond	21	1,000,000	-	-
Kenya Motor Insurance Pool	22	13,077,387	10,218,076	6,410,271
Receivables arising from reinsurance arrangements	23	66,657,317	1,301,334	28,838,132
Receivables arising out of direct insurance arrangements	24	229,267,917	199,334,639	92,175,916
Reinsurance share of insurance contract liabilities	25	-	-	210,492
Deferred commissions	26	-	-	267,696
Other receivables	27	106,552,483	72,834,029	57,129,288
Deposits with financial institutions	28	583,540,118	92,919,418	40,083,162
Cash and cash equivalents	29	25,667,148	12,269,289	12,606,760
Tax recoverable	12(b)	-	487,786	586,303
TOTAL ASSETS		2,086,332,943	1,170,068,965	997,508,787
EQUITY				
Share capital	30	150,000,000	150,000,000	150,000,000
Retained earnings		183,772,178	129,936,093	111,874,898
Statutory fund	31	277,113,049	67,942,033	47,559,423
TOTAL EQUITY		610,885,227	347,508,804	309,434,321
LIABILITIES				
Insurance contract liabilities	32	729,585,996	464,887,600	420,522,166
Payables under deposit administration contracts	33	46,931,687	34,719,714	25,276,014
Unit linked payables	34	42,662,455	26,597,825	15,186,512
Outstanding claims	35	379,350,591	165,152,004	137,764,262
Borrowings	36	15,475,173	26,710,177	1,173,123
Creditors arising from reinsurance arrangements	37	70,316,641	34,383,680	15,869,369
Other payables	38	68,204,873	41,149,427	48,893,378
Deferred tax	39	118,762,736	28,959,734	20,382,610
Unearned premium reserve	40	-	-	3,007,032
Current tax	12(b)	4,157,565	-	-
TOTAL LIABILITIES		1,475,447,716	822,560,161	688,074,466
TOTAL EQUITY AND LIABILITIES		2,086,332,943	1,170,068,965	997,508,787

The financial statements on pages 13 to 59 were approved and authorised for issue by the Board of Directors on 30th March 2015 and were signed on its behalf by:

Chairman
Bonarenture Omuse

Director
Shiraz Jeraj

Principal Officer
Moses Kimani

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Notes	Share capital KShs	Retained earnings KShs	Statutory Reserve* KShs	Total KShs
Year ended 31 December 2013					
At start of year as previously stated		150,000,000	111,874,898	67,942,033	329,816,931
Prior year adjustment:					
- Deferred tax on statutory reserve*	39	-	-	(20,382,610)	(20,382,610)
As restated		150,000,000	111,874,898	47,559,423	309,434,321
Profit for the year		-	38,074,483		38,074,483
Transfer (net of deferred tax)	31	-	(20,013,288)	20,013,288	-
At end of year		150,000,000	129,936,093	67,572,711	347,508,804
Year ended 31 December 2014					
At start of year as previously stated		150,000,000	129,936,093	96,532,445	376,468,538
Prior year adjustment:					
- Deferred tax on statutory reserve*	39	-	-	(28,959,734)	(28,959,734)
As restated		150,000,000	129,936,093	67,572,711	347,508,804
Profit for the year		-	263,376,423		263,376,423
Transfer (net of deferred tax)	31	-	(209,540,338)	209,540,338	-
At end of year		150,000,000	183,772,178	277,113,049	610,885,227

* Relates to the provision of deferred tax on the untaxed surplus on the actuarial valuation. See accounting policy (p) for further details.

The notes on pages 17 to 59 form an integral part of these financial statements.

Report of the independent auditor - page 12.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

Operating activities	Notes	2014 KShs	2014 KShs
Profit before tax		369,979,425	57,151,607
Adjustments for:			
Depreciation on property, plant and equipment	14	4,828,549	4,339,062
Amortisation of intangible assets	15	2,509,283	1,655,191
Fair value gain on investment properties	16	(51,000,000)	-
Fair value gain on quoted investments	17(a)	(193,130)	1,333,648
Fair value gain on investments with fund managers	18	(7,728,540)	(1,530,571)
Gain on disposal of quoted shares		(3,464,192)	(6,817,752)
Change in claims outstanding and other liabilities		242,475,190	24,858,899
Interest paid		4,438,077	4,042,704
Change in actuarial liabilities		264,698,396	44,365,434
Impairment of policy loans		27,157,977	(120,714)
Gain on disposal of property, plant and equipment		-	(6,365)
Changes in:			
Receivables and other assets		(129,007,715)	(99,134,471)
Payables and other liabilities		62,988,407	31,625,372
Cash from operations		787,681,727	61,762,044
Interest paid		(4,438,077)	(4,042,704)
Tax paid	12(b)	(12,154,650)	(10,401,483)
Net cash from operating acitvities		771,089,000	47,317,857
Investing activities			
Purchase of property, plant and equipment	14	(6,758,530)	(4,614,189)
Purchase of intangible assets	15	(80,000)	(9,760,395)
Purchase of investment properties	16	(113,944,000)	-
Purchase of quoted investments	17(a)	(25,485,396)	(55,247,108)
Proceeds from disposal of quoted investments		30,067,929	54,410,805
Purchase of unquoted investments	17(b)	(4,440,544)	-
Additions to investments with fund managers	18	(182,512)	(6,683,248)
Withdrawals of investments with fund managers	18	1,829,370	82,907
Purchase of corporate bond	21	(1,000,000)	-
Policy loans advanced	19	(19,571,109)	(22,617,227)
Policy loans repaid	19	26,685,195	4,688,746
Change in deposits with financial institutions over 90 days		(82,396,253)	(30,508,427)
Net movement in government securities		(61,381,223)	72,186,387
Net movement in Kenya Motor Insurance Pool		(2,859,311)	-
Proceeds from sale of property, plant and equipment		-	6,365
Net cash (used in)/from investing activities		(259,516,384)	1,944,616
Financing activities			
Proceeds from borrowings	36	20,000,000	35,000,000
Repayment of borrowings	36	(31,235,004)	(9,462,946)
Net cash (used in)/from financing activities		(11,235,004)	25,537,054
Increase in cash and cash equivalents		500,337,612	74,799,527
Cash and cash equivalents at start of year		124,176,543	49,377,016
Cash and cash equivalents at end of year	29	624,514,155	124,176,543

1. General information

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

Pioneer House, Moi Avenue
P.O. Box 20333, 00200
NAIROBI

The company carries out life assurance business which includes provisions of individual life assurance, group life assurance and pension deposits administration.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/ordisclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, Fair value measurements are categorised into level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The financial performance of the company is set out in the director's report and in the statement of profit or loss. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 47 to 50. Disclosure in respect of capital management are set out in Note 60.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the forseable future and as a result the financial statements are prepared on a going concern basis.

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

New and amended standards adopted by the company

The following new and revised Standards and Interpretations have been adopted in the current year. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements:

- Amendments to IFRS 2 in respect of definitions.
- Amendments to IFRS 3 in respect of accounting for contingent consideration.
- Amendments to IFRS 10,12 and IAS 27 in respect of definition of Investment Entity and the requirements for an entity that meets this definition not to consolidate it's subsidiaries but instead measure them at fair value through profit or loss.
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities clarifying the meaning of current legal enforceable right of set off and simultaneous realisation and settlement.
- Amendments to IAS 36 in respect of recoverable amount disclosures for non financial assets.
- Amendments to IAS 39 in respect of Novation of Derivatives and Continuation of Hedge Accounting.
- IFRIC Interpretation 21 - Levies which deals with recognition of liability to pay imposed by a Government.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- IFRS 5 in respect of guidance on reclassifications which will be effective for the accounting periods beginning on or after 1 July 2016.
- IFRS 7 in respect of guidance on service contracts representing continuing involvement in a transferred asset which will be effective for the accounting periods beginning on or after 1 July 2016.
- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective for accounting periods beginning on or after 1 January 2016.
- IFRS 14 in respect of Regulatory Deferral Accounts which will be effective for accounting periods beginning on or after 1 January 2016.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2017.
- Amendments to IAS 16 and IAS 38 in respect of Clarification of Acceptable Methods of Depreciation and Amortisation which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 41 in respect of Bearer Plants which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 19 in respect of Defined Benefit Plans: Employee Contributions which will be effective for accounting periods beginning on or after 1 July 2014.

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective (continued)

- Annual improvements to IFRS's which will be effective for accounting periods beginning on or after 1 July 2014 as follows:
- IFRS 2 - Definition of vesting conditions.
- IFRS 3 - Accounting for contingent consideration in a business combination.
- IFRS 8 - Aggregation of operating segments and reconciliation of total reportable segment assets to entity's assets.
- IFRS 13 - Carrying of short term receivables and payables at invoiced amounts.
- IAS 16 and IAS 38 - Proportionate restatement of depreciation/amortisation accumulated on revaluation.
- IAS 24 - Management fee paid to a management entity.
- IFRS 3 - Scope exclusions for joint ventures.
- IAS 40 - Application of IAS 40 vs. IFRS 3 on acquisition of investment property.

The directors expect that the future adoption of IFRS 9 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

b) Insurance contracts

The company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the company; and

That are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract;
- realised and/or unrealised investment returns on a specified pool of assets held by the company; or
- the profit or loss of the company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the basis for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders); the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the relevant local appointed actuary.

These liabilities are the contract holders' account balance.

Revenue consists of fees deducted for mortality, policy administration and surrender changes. Interest or changes in the unit prices credited to the account balances and excess benefit claims in excess of the account balances incurred in the period are charged as expenses in the profit or loss for the year.

Deposit administration contracts

The company administers the funds of a number of retirement benefit schemes. The liability of the company to the schemes has been included within the statement of financial position

2. Summary of significant accounting policies (continued)

b) Insurance contracts (continued)

Recognition and measurement (continued)

Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss in 'Gross change in contract liabilities'. Profits originated from margins of adverse deviations on run-off contracts are recognized in the statement of profit of loss over the life of the contract, whereas losses are fully recognised in the statement of profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

c) Other income

Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, are recognised in the statement of profit or loss using the effective interest rate method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income for quoted shares is recognised when the right to receive payment is established.

Rental income

Rental income is accounted for on an accrual basis, on a straight line basis.

d) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated on straight line basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Motor vehicles	20
Computer equipment	20
Fittings and equipment	12.5

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. Summary of significant accounting policies (continued)

d) Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining profit before tax.

e) Investment properties

Investment properties are long-term investments in land and buildings that are not occupied substantially for own use. Investment properties are initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date Changes in fair value are recorded in profit or loss.

Subsequent expenditure on investment properties where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment properties. All other expenditure is recognised as an expense in the year which it is incurred.

Gains and losses on disposal of investment properties are determined by reference to their carrying amount and are taken into account in determining profit before tax.

f) Intangible assets

Computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their useful lives which are estimated to be 5 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the acquisition of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

g) Financial assets

The company classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held to maturity and Available-for-sale. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

a) Classification

- **Financial assets at fair value through profit or loss**
  Financial assets at fair value through profit or loss are financial assets held for trading in the short term. A financial asset is classified in this category if acquired principally for the purpose of selling.

- **Loans and receivables**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

a) Classification (continued)

- **Available-for-sale financial assets**

  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

- **Held-to-maturity financial assets**

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity, other then:
  - those that the company upon initial recognition designates as at fair value through profit or loss;
  - those that the company designates as available for sale; and
  - those that meet the definition of loans and receivables.

  Interest on held-to-maturity investments are included in the statement of profit or loss and are reported under investment income. In the case of an impairment, it is been reported as a deduction from the carrying value of the investment and recognised in the statement of profit or loss as 'gain/(loss) on investments'.

b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or loss arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of investment income when the company's right to receive payments is established.

c) Determination of fair value

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

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

c) Determination of fair value (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. For example a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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

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

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

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

d) Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

e) Impairment of assets

- **Financial assets carried at amortised cost**

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or company of financial assets is impaired. A financial asset or a company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') has an impact on the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the receivables or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

- **Assets classified as 'Available-for-sale'**

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a company of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is remove If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and rec Impairment losses recognised in the statement of profit or loss

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

e) Impairment of assets (continued)

- **Impairment of other non-financial assets**

  Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

- **Offsetting financial instruments**

  Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

h) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

i) Accounting for leases

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

j) Employee benefits

(i) Retirement benefit obligations

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the company and employees. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The employees of the company are also members of the National Social Security Fund ("NSSF"). The company's contributions to the defined contribution scheme and NSSF are charged to the profit or loss in the year to which they relate.

(ii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

2. Summary of significant accounting policies (continued)

k) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

l) Dividends

Proposed dividends are disclosed as a separate component of equity until declared. Dividends are recognised as a liability in the period in which they are approved by the company's shareholders.

m) Share capital

Ordinary shares are classified as equity.

n) Statutory fund

The statutory reserve represents accumulated life fund inclusive of surpluses whose distribution is subject to restrictions imposed by the Insurance Act. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of actuarially determined valuation surpluses of the life business.

o) Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, comparatives have been adjusted to take into account recent guidance isssued by the Institute of Certified Public Accountants of Kenya (ICPAK). The guidance indicates that since the surplus arising from the acturial valuation is not taxed in the year the surplus arises but when the surplus is ditributed to shareholders, deferred tax on the untaxed surplus needs to be provided for and accordingly deferred tax on the untaxed surplus has been provided in these financial statements as detailed in Note 39.

3. Critical accounting estimates and judgments

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, expectations of future events that are believed to be reasonable under the circumstances.

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims.

a) Impairment losses

At each reporting period end, the company reviews the carrying amounts of its tangible and intangibe assets to determine whether there is any indication that those assets have suffered and impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

b) Estimate of future benefit payments and premiums arising from long-term insurance contracts, and related deferred acquisition costs and other intangible assets

The determination of the liabilities under insurance contracts is dependent on estimates made by the company. Estimates are made as to the expected number of deaths for each of the years in which the company is exposed to risk. The company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the company's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that accidents arising from concentration of risk, epidemics such as AIDS, TB and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the company in which it has significant . exposure to mortality risk

Judgment is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed.

4. Insurance premium revenue

	2014 KShs	2013 KShs
(a) Gross earned premiums		
Ordinary life	504,021,329	505,241,143
Group life	2,104,459,845	460,328,007
Gross underwritten premiums	2,608,481,174	965,569,150
Unearned premiums	-	2,528,844
	2,608,481,174	968,097,994
b) Premiums ceded to reinsurers		
Ordinary life	(851,889)	(794,933)
Group life	(959,053,384)	(84,838,395)
	(959,905,273)	(85,633,328)
Net earned premiums	1,648,575,901	882,464,666

5. Investment income

	2014 KShs	2013 KShs
Interest on policy loans	4,702,849	13,431,976
Policy processing fee	18,293,084	13,628,734
Interest on government securities	18,612,611	16,888,042
Interest on deposits with financial institutions	34,004,660	9,082,971
Gain/(loss) on revaluation of quoted shares (Note 17(a))	193,130	(1,333,648)
Gain on revaluation of managed funds (Note 18)	7,728,540	1,530,571
Profit on disposal of quoted shares	3,464,192	6,817,752
Rental income from investment properties	8,264,767	8,152,115
Investment property expenses	(2,815,951)	(2,947,408)
Gain on revaluation of investment properties (Note 16)	51,000,000	-
Dividend income	532,691	282,862
Other investment income	3,430,142	3,285,754
Investment expenses	(1,018,649)	(1,074,139)
	146,392,066	67,745,582

6. Commission income

	2014 KShs	2013 KShs
Group life	66,982,548	9,046,442
Ordinary life	6,482	79,542
	66,989,030	9,125,984

The company earns commissions from its reinsurers on agreed percentage basis for business ceded to them.

7. Other income

	2014 KShs	2013 KShs
Share of profit from Kenya Motor Insurance Pool (Note 22)	2,859,311	3,807,805

8. Claims and policyholders benefits payable

	2014 KShs	2013 KShs
Death	669,597,161	290,824,403
Maturities	224,805,574	238,537,503
Surrenders	9,065,726	12,240,177
Personal accident	205,814	157,483
Withdrawals	8,405,141	7,105,576
Medical	-	11,420,295
Increase in actuarial value of policyholders liabilities (Note 32)	320,698,396	79,365,434
Transfer to shareholders (Note 32)	(56,000,000)	(35,000,000)
Interest declared on investment products	7,408,697	4,373,618
Gross claims and policyholders' benefits payable	1,184,186,509	609,024,489
Recoverable under reinsurance contracts	(158,781,100)	(9,362,976)
Net claims and policyholders' benefits payable	1,025,405,409	599,661,513

9. Operating and other expenses

	2014 KShs	2013 KShs
Auditors' remuneration	1,850,000	1,750,000
Directors remuneration	1,485,732	1,142,860
Directors fees	4,342,863	3,307,137
Impairment losses on policy loans (Note 19)	27,157,977	-
Other debtors written off	20,917,215	12,061
Repairs and maintenance	1,107,136	1,351,991
Operating lease rentals	22,592,114	20,927,124
Depreciation on property, plant and equipment (Note 14)	4,828,549	4,339,062
Amortisation of intangible assets (Note 15)	2,509,283	1,655,191
Interest expense on borrowings	4,438,077	4,042,704
Staff costs (Note 10)	102,913,578	96,216,322
Other operating expenses	116,042,970	46,178,443
	310,185,494	180,922,895

10. Staff costs

	2014 KShs	2013 KShs
Salaries and wages	78,891,023	72,212,929
Staff leave accrual	5,544,453	2,324,175
Pension costs:		
- National Social Security Fund	131,800	101,900
- Defined contribution scheme	3,504,362	3,491,262
Other staff costs	14,841,940	18,086,056
	102,913,578	96,216,322

11. Commission expense

	2014 KShs	2013 KShs
Ordinary life	115,593,515	93,457,752
Group life	43,652,465	31,950,270
	159,245,980	125,408,022

12. a) Tax

	2014 KShs	2013 KShs
Current tax	16,800,000	10,500,000
Deferred income tax (Note 39)	89,803,002	8,577,124
Tax charge	106,603,002	19,077,124
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Profit before tax	369,979,425	57,151,607
Tax calculated at a tax rate of 30% (2013: 30%)	110,993,828	17,145,482
Tax effect of:		
-deferred tax on acturial surplus not distributed	89,803,002	8,577,124
-income less expenses not subject to tax	(94,193,828)	(6,645,482)
	106,603,002	19,077,124

12. Tax (continued)

	2014 KShs	2013 KShs
b) Reconcilliation of tax payable/(receivable)		
At start of year	(487,786)	(586,303)
Current tax	16,800,000	10,500,000
Paid during the year	(12,154,650)	(10,401,483)
At end of year	4,157,564	(487,786)

13. Earnings per share

	2014 KShs	2013 KShs
Total number of shares in issue during the year (Note 30)	1,500,000	1,500,000
Profit after tax	263,376,423	38,074,483
Basic and diluted earnings per share	175.5	25.38

There were no potentially dilutive shares outstanding as at 31 December 2014 and 2013.

14. Property, plant and equipment

Year ended 31 december 2014

	Motor vehicles KShs	Fittings and equipment KShs	Computer equipment KShs	Total KShs
COST				
At start of year	5,743,285	19,140,964	20,205,312	45,089,561
Additions	-	2,609,913	4,148,617	6,758,530
At end of year	5,743,285	21,750,877	24,353,929	51,848,091
Depreciation				
At start of year	3,993,765	11,688,530	15,385,330	31,067,625
Charge for the year	1,049,710	1,792,222	1,986,617	4,828,549
At end of year	5,043,475	13,480,752	17,371,947	35,896,174
Net book value	699,810	8,270,125	6,981,982	15,951,917

14. Property, plant and equipment (continued)

	Motor vehicles KShs	Fittings and equipment KShs	Computer equipment KShs	Total KShs
Cost				
At start of year	5,743,285	16,626,784	18,479,276	40,849,345
Additions	-	2,803,153	1,811,036	4,614,189
Disposals	-	(288,973)	(85,000)	(373,973)
At end of year	5,743,285	19,140,964	20,205,312	45,089,561
Depreciation				
At start of year	2,944,055	10,517,244	13,641,237	27,102,536
On disposal	-	(288,973)	(85,000)	(373,973)
Charge for the year	1,049,710	1,460,259	1,829,093	4,339,062
At end of year	3,993,765	11,688,530	15,385,330	31,067,625
Net book value	1,749,520	7,452,434	4,819,982	14,021,936

15. Intangible assets (Computer software)

	2014 KShs	2013 KShs
Cost		
At start of year	20,910,484	11,150,089
Additions	80,000	9,760,395
At end of year	20,990,484	20,910,484
Amortisation		
At start of year	10,636,661	8,981,470
Charge for the year	2,509,283	1,655,191
At end of year	13,145,944	10,636,661
Net book value	7,844,540	10,273,823

This relates to computer software. Included in the cost of intangible assets above is an amount of Shs 8,741,079 (2013: Shs 7,860,619) fully amortized assets.

16. Investment property

	2014 KShs	2013 KShs
As at 1 January	436,703,000	436,703,000
Additions	113,944,000	-
Gain on revaluation	51,000,000	-
As at 31 December	601,647,000	436,703,000

The valuation exercise was carried out by Gimco Limited registered professional valuers on 31 December 2014. Investment properties are valued on an open market basis.

The fair valuation of investment properties is done using the Level 1 technique as described in the basis of preparation of these financial statements.

17. Financial assets at fair value through profit or loss

	2014 KShs	2013 KShs
(a) Quoted investment		
As at 1 January	12,164,872	5,844,465
Purchases	25,485,396	55,247,108
Disposals	(26,603,737)	(47,593,053)
Fair value gain	193,130	(1,333,648)
As at 31 December	11,239,661	12,164,872

These relate to investment in quoted equities traded at the Nairobi Securities Exchange.

(b) Investments with fund managers

	2014	2013
At start of year	-	-
Additions	4,440,544	-
At end of year	4,440,544	-

Unquoted investment refers to 19,023 investment in Jamii Bora Bank Limited that is split as follows:
(i) 17,021 ordinary shares purchased through bond conversion on 24 October 2014 at a consideration of Shs. 4,000,000.
(ii) A subsequent rights issue of 2,002 shares on the 9:1 basis at a cost of Shs. 440,544.

18. Investments with fund managers

	2014 KShs	2013 KShs
At start of year	36,949,711	28,818,799
Subscriptions for the year	182,512	6,683,248
Withdrawals	(1,829,370)	(82,907)
Fair value gain (Note 5)	7,728,540	1,530,571
At end of year	43,031,393	36,949,711

The fund managers invest the fund in unit trusts which are valued at fair value as at the end of the year.
The fair valuation of investments with fund managers is done using the Level 1 technique as described in the basis of preparation of these financial statements.

19. Policy loans' receivables

	2014 KShs	2013 KShs
At start of year	140,145,251	122,216,770
Loans advanced	19,571,109	22,617,227
Loan repayments	(26,685,195)	(4,688,746)
	133,031,165	140,145,251
Less: Provision for impairment losses	(50,873,573)	(23,715,596)
At end of year	82,157,592	116,429,655
Movement in impairment losses		
At start of year	23,715,596	23,836,310
Additions/(reversals)	27,157,977	(120,714)
At end of year	50,873,573	23,715,596

19. Policy loans receivable (continued)

	2014 KShs	2013 KShs
AMaturing:		
Within 1 year	17,078,518	17,991,823
1 year to 2 years	14,930,527	15,728,964
3 years to 5 years	101,022,120	106,424,464
	133,031,165	140,145,251

The weighted average effective interest rate on policy loans was 6% (2013: 14%) at the reporting date. The collateral for the policy loans is the cash surrender value of the underlying policy. In case of default the loan is written off against the cash surrender value. Impairmentloss has been assessed on policy loans that are no longer being repaid by the policy holders. The impaired amount is the balance in excess of the security that the company holds.

20. Government securities

	2014 KShs	2013 KShs
Held to maturity		
Treasury bills and bonds:		
Maturing within 91 days (Note 29)	131,524,475	52,809,169
Maturing after 91 days but less than 1 year	37,311,542	40,255,750
Maturing after 1 year	125,421,909	61,096,478
	294,257,926	154,161,397
The weighted average effective interest rate on government securities was 10.05% (2013: 10.24%)at the reporting date.		
At start of year	158,000,000	176,500,000
Purchase	412,000,000	292,500,000
Maturity	(271,000,000)	(311,000,000)
At end of year	299,000,000	158,000,000
Unearned interest	(3,163,983)	(2,399,985)
Discount on purchase	(1,578,091)	(1,438,618)
At end of year	294,257,926	154,161,397

21. Corporate bond

	2014 KShs	2013 KShs
Jamii Bora Bank Limited	1,000,000	-

22. Kenya motor insurance pool (KMIP)

	2014 KShs	2013 KShs
At start of year	10,218,076	6,410,271
Share of profit (Note 7)	2,859,311	3,807,805
At end of year	13,077,387	10,218,076

This represents the company's share of the net assets of the pool.

23. Receivables arising from reinsurance arrangements

	2014 KShs	2013 KShs
General business	-	433,646
Claims recoverable	66,657,317	-
Medical business	-	867,688
	66,657,317	1,301,334

24. Receivables arising out of direct insurance arrangements

	2014 KShs	2013 KShs
Check off schemes	81,029,002	112,326,138
Direct clients	148,238,915	77,488,052
Corporate clients – medical	-	9,520,449
	229,267,917	199,334,639

The amounts receivable do not carry interest and are due within periods ranging from 30 days to 180 days except for amounts due from corporate clients (medical) which have been due by more than 365 days.

25. Reinsurance share of insurance contract liabilities

	2014 KShs	2013 KShs
At start of year	-	210,492
Reserve released during the year	-	(210,492)
At end of year	-	-

26. Deferred commissions

	2014 KShs	2013 KShs
At start of year	-	267,696
Reserve	-	(267,696)
At end of year	-	-

27. Other receivables

	2014 KShs	2013 KShs
Agents loans and advances	32,934,303	49,022,016
Allowance for impairment losses	-	(11,912,173)
Net agents loans and advances	32,934,303	37,109,843
Staff loans and advances	22,622,841	19,586,232
Deposits	45,763,201	8,793,565
Prepayments	1,222,398	413,296
Rent receivable	243,600	5,319,445
Guarantees and performance bonds	1,053,714	160,000
Other sundry debtors	2,712,426	1,451,648
	106,552,483	72,834,029
Allowance for impairment losses movement		
As Start of year	(11,912,173)	(11,912,173)
Written off	11,912,173	-
At end of year	-	(11,912,173)

28. Deposits with financial institutions

	2014 KShs	2013 KShs
Within 91 days (Note 29)	467,322,532	59,098,085
Maturing after 91 days but less than 1 year	116,217,586	33,821,333
	583,540,118	92,919,418

These relate to investments in fixed and call deposits. The weighted average effective interest rate on deposits with financial institutions was 10.04% (2013: 9.54%) at the reporting date.

29. Cash and cash equivalents

	2014 KShs	2013 KShs
Cash at bank and in hand	25,667,148	12,269,289

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following items in the statement of financial position:

	2014 KShs	2013 KShs
Cash at bank and in hand	25,667,148	12,269,289
Government securities maturing within 91 days (Note 20)	131,524,475	52,809,169
Deposits with financial institutions maturing within 91 days (Note 28)	467,322,532	59,098,085
	624,514,155	124,176,543

30. Share capital

	2014 KShs	2013 KShs
Authorized, issued and fully paid:		
1,500,000 (2013: 1,500,000) shares of Shs. 100 each	150,000,000	150,000,000

31. Statutory fund

The statutory fund represents a reserve maintained within the long term insurance business and represents unallocated surpluses from previous actuarial valuations as required by the Kenyan Insurance Act. Transfers from this fund are made upon recommendation of the actuary.

	2014 KShs	2013 KShs
At start of year		
As previously stated	96,532,445	67,942,033
Prior year adjustment:		
Correction of deferred tax (Note 39)	(28,959,734)	(20,382,610)
At start of year - as restated	67,572,711	47,559,423
Transfer from profit or loss	299,343,340	28,590,412
Deferred Tax	(89,803,002)	(8,577,124)
At end of year	277,113,049	67,572,711

32. Insurance contract liabilities

	2014 KShs	2013 KShs
As at 1 January	464,887,600	420,522,166
Increase in actuarial value of policyholders liabilities (Note 8)	320,698,396	79,365,434
Transfer to shareholders - taken to profit or loss (Note 8)	(56,000,000)	(35,000,000)
At end of year	729,585,996	464,887,600

An actuarial valuation of the long term insurance business fund was carried out by the company's consulting actuary as at 31 December 2014. The actuarial valuation revealed an actuarial surplus of Shs. 320,698,396 (2013: Shs. 79,365,434). The actuary recommended a transfer to statement of profit or loss an amount of Shs 56,000,000 (2013: Shs 35,000,000). The surplus not appropriated by the actuary at the end of the financial year increased by Shs 299,343,340 (2013: Shs 28,590,412).

33. Payables under deposit administration contracts

	2014 KShs	2013 KShs
At start of year	34,719,714	25,276,014
Deposits received during the year	9,283,284	6,683,248
Benefits paid	(1,932,061)	(121,640)
Deposit administration expenses	(441,115)	(273,416)
Interest declared	5,301,865	3,155,508
At end of year	46,931,687	34,719,714

Deposit administration contracts are recorded at amortised cost. The liabilities are shown inclusive of interest accumulated to the reporting date. Interest was declared and credited to the client accounts at a weighted average rate of 12.8% for the year (2013: 10%). Members' contributions accrue interest from receipt date and cease accruing interest upon withdrawal. Interest is credited as per the received returns less administration expenses subject to the minimum guaranteed rate of return.

34. Unit linked payables

	2014 KShs	2013 KShs
At start of year	26,597,825	15,186,512
Received during the year	82,737,153	44,030,820
Withdrawals during the year	(68,779,354)	(33,837,617)
Interest declared	2,106,831	1,218,110
At end of year	42,662,455	26,597,825

This relates to the investment allocation portion of the Super Investor Plan. Interest was declared and credited to the client accounts at a weighted average rate of 5% for the year (2013: 5%).

35. Outstanding claims

	2014 KShs	2013 KShs
Ordinary life	85,067,919	71,684,423
Group life	288,031,422	54,064,817
Medical	-	3,204,347
General business	6,251,250	6,251,250
Outstanding claims	379,350,591	135,204,837
Provision for Incurred But Not Reported	-	29,947,167
	379,350,591	165,152,004
Movement in outstanding claims:-		
At start of year	165,152,004	137,764,262
Claims intimated during the year	931,444,488	566,326,157
Claims paid during the year	(717,404,677)	(538,938,415)
At end of year	379,191,815	165,152,004

The balance at year end represents intimated amounts remaining unsettled. The amounts payable do not carry interest and are due within period ranging from 30 days to 90 days from the reporting date.

36. Borrowings

	2014 KShs	2013 KShs
At start year	26,710,177	1,173,123
Loans advanced	20,000,000	35,000,000
Repayment during the year	(31,235,004)	(9,462,946)
At end of year	15,475,173	26,710,177

The term loan was obtained from Chase Bank Limited. The amount borrowed of Shs. 20 million was used to finance working capital requirements. The loan is repayable within 12 months with effect from April 2014 and will be fully repaid by March 2015 at an interest rate of 10% per annum (Deposit rate plus a spread of 5%).

The term loan is secured by the following:
i) Lien for Shs. 25,508,428 held with the bank in the name of the company and supported by a letter of off-set.
ii)Personal guarantee and indemnity from each of the directors of the company for an amount of Shs 20,000,000.

37. Borrowings (continued)

The exposure of the company's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	2014 KShs	2013 KShs
12 months or less	15,475,173	26,710,177

In the opinion of the directors, the carrying amount of term loan approximate its fair value. The carrying amount of the company's borrowing is denominated in Kenya Shillings. There were no undrawn facilities as at the reporting date.

38. Creditors arising from reinsurance arrangements

	2014 KShs	2013 KShs
Life	70,287,174	34,354,213
Motor Pool	29,467	29,467
	70,316,641	34,383,680

The balance at the reporting date represents premiums owed to reinsurers with respect to business in excess of the company's retention limits at year end.

39. Other payables

	2014 KShs	2013 KShs
Commission payable	10,162,743	13,191,871
Agents bonds	4,957,040	4,573,100
Accrued expenses	7,969,836	6,125,800
Provision for gratuity	5,738,442	8,002,136
Provision for accrued leave	12,608,365	7,063,912
Other sundry creditors	26,768,447	2,192,608
	68,204,873	41,149,427

The carrying amounts disclosed above reasonably approximate fair value at the reporting date due to their short-term nature. The amounts payable do not carry interest and are due within period ranging from 30 days to 180 days.

40. Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2013: 30%). The movement on the deferred income tax account is as follows:

	2014 KShs	2013 KShs
At start of year as previously stated	-	-
Prior year adjustment:		
- Deferred tax on statutory reserve Note 31)	28,959,734	20,382,610
As restated	28,959,734	20,382,610
Statement of profit or loss charge(Note 12)	89,803,002	8,577,124
At end of year	118,762,736	28,959,734

41. Deferred income tax (continued)

Deferred income tax liabilities and deferred income tax charge to profit or loss are attributable to the following items:

	At start of year Shs	Prior year adjustment Shs	Charged to profit or loss Shs	At end of year Shs
Deferred income tax liabilities				
Statutory reserve	-	28,959,734	89,803,002	118,762,736

Refer to accounting policy (p) for explanations.

42. Unearned premium reserve

	2014 KShs	2013 KShs
At start of year	-	3,007,032
Released during the year	-	(3,007,032)
At end of year	-	-

43. Related party transactions

In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to other clients.

Details of related party balances and transactions are as follows:

	2014 KShs	2013 KShs
(i) Amounts due from related parties		
Key management staff personnel loans	3,572,003	8,998,983
Softline Limited	-	5,319,445
At end of year	3,572,003	14,318,428

(ii) Key management personnel compensation

The remuneration of directors and other members of key management during the year were as follows:

Salaries and other short-term employment benefits	31,060,540	28,232,064
Post-employment benefits	1,462,007	1,426,003
	32,522,547	29,658,067
(iii) Directors' remuneration (included in (ii) above)		
Fees for services as directors	4,342,863	3,307,137
Other emoluments	14,104,097	11,894,764
	18,446,960	15,201,901

44. Capital commitments

	2014 KShs	2013 KShs
(a) Authorized and contracted for	375,000,000	4,000,000
(b) Authorized and not contracted for	24,080,845	17,845,845

45. Operating lease arrangements

The Company as a lessee

Rental expense incurred during the year was Shs 22,592,114 (2013: Shs 20,927,124).
As at 31 December 2014, the company had contracted with its landlords for the following future rental lease payables:

	2014 KShs	2013 KShs
Not later than 1 year	24,449,426	12,749,185
Later than 1 year but not later than 5 years	78,770,281	36,648,815
	103,219,707	49,398,000

Leases are negotiated for an average term of five years.

Company as a lessor

Gross rental income earned during the year was Shs 8,246,767 (2013: Shs 8,152,115). At the reporting date, the company had contracted with tenants for the following future lease receivables:

	2014 KShs	2013 KShs
Not later than 1 year	9,288,000	8,357,400

46. Contingencies

Litigation against the Company

As is common with the insurance industry in general, the company is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that this litigation will not have a material effect on the financial position or profits of the company.

47. Financial risk management objectives and policies

Insurance risk

i) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are accidents arising from concentration of risk, epidemics (such as AIDS and TB) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions thatwould increase longevity.

48. Financial risk management objectives and policies (continued)

Insurance risk (continued)

i) Frequency and severity of claims (continued)

At present, these risks do not vary significantly in relation to the location of the risk insured by the company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

Total benefits insured

At 31 December 2014	Number of policies Shs	Before Reinsurance Shs	%	After Reinsurance Shs
Age of assured				
18 - 30 years	3,609	563,634,411	21%	13,726,086
31 - 40 years	7,894	979,444,973	37%	21,719,783
41 - 50 years	6,894	738,527,796	28%	29,765,638
51 - 60 years	4,016	350,174,224	13%	7,887,362
More than 60 years	162	12,804,693	0%	1,000,000
	22,575	2,644,586,097	100%	74,098,868

Total benefits insured

At 31 December 2013	Number of policies Shs	Before Reinsurance Shs	%	After Reinsurance Shs
Age of assured				
18 - 30 years	3,164	475,533,633	18%	7,489,287
31 - 40 years	7,399	869,969,398	34%	14,191,292
41 - 50 years	6,565	678,858,802	26%	19,266,262
51 - 60 years	6,328	537,383,322	21%	5,952,700
More than 60 years	184	17,043,535	1%	1,000,000
	23,640	2,578,788,690	100%	47,899,541

49. Financial risk management objectives and policies (continued)

Insurance risk (continued)

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The company uses appropriate base tables of standard mortality according to the type of contractbeing written and the territory in which the insured person resides. An investigation into the actual experience of the company over the last few years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future.

The principal risk that the company faces under insurance contracts is that the actual claims and benefits payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance products. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

iii) Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms and with DPF, estimates are made in two stages. At inception of the contract, the company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event.

The assumptions used for the insurance contracts disclosed in this note are as follows:

Mortality - the company uses KE 2001 - 2003 as a base table of standard mortality. Statistical methods are used to adjust the rates reflected on the table based on the company's experience. For contracts insuring survivorship, an allowance for future mortality improvements made on trends identified in the data.

50. Financial risk management objectives and policies (continued)

Insurance risk (continued)

Long-term insurance contracts (continued)
iii) Process used to decide on assumptions (continued)

Persistence - Statistical methods are used to determine an appropriate persistency rate, with reference to the company's experience over the most recent five years. An allowance is then made for any trends in the date to arrive at the best estimate if future persistency rates.

Investment returns - A weighted average rate of investment return is derived with reference to the portfolio that backs the liabilities. In the current valuation, the rate of return was 19.3% (2013: 13.8%).

Renewal expense level, inflation and tax - the current tax level of expenses is taken to be an appropriate expense base. Expense inflation is assumed to be 6%. It has been assumed that the current tax legislation and rates continue unaltered.

Financial risk
The company is exposed to financial risk through its financial assets and financial 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 and investment contracts. The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk, equity price risk and other price 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 credit risk.

The company manages these positions within an Asset Liability Management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

i) Interest rate risk
Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The company's management monitors the sensitivity of reported interest rate movements on a quarterly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the company's overall exposure to interest rate sensitivities included in the company's ALM framework and its impact in the company's profit or loss by business.

51. Financial risk management objectives and policies (continued)

Insurance risk (continued)
Long-term insurance contracts (continued)

Given the company's asset and liability profiles, a 5% increase or decrease in interest yields would not result in any significant additional profit or loss for the period end.

	Impact on post tax profit 2014	Impact on post tax profit 2013
Increase in interest rate by 5%	2,041,278	1,504,006
(Decrease) in interest rate by 5%	(2,041,278)	(1,504,006)
The table below gives the concentration of interest risk:		
Interest from government securities	32%	39%
Interest from bank deposits	58%	21%
Interest from policy loans	8%	31%
Other interest income	2%	8%

ii) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The company has an active finance and investment committee that guides its credit control function. The committee comprises board members and sits on a quarterly basis.

The table below provides information regarding the credit risk exposure of the company at the reporting date.

As at 31 December 2014	Neither past-due nor impaired Shs	Past due but not impaired Shs	Impaired Shs	Total Shs
Quoted investments	11,239,661	-	-	11,239,661
Unquoted investments	4,440,544	-	-	4,440,544
Investments with fund managers	43,031,393	-	-	43,031,393
Government securities	294,257,926	-	-	294,257,926
Corporate bond	1,000,000	-	-	1,000,000
Policy loans receivable	41,900,372	40,256,816	50,873,977	133,031,165
Receivables arising from reinsurance arrangements	-	66,657,317	-	66,657,317
Kenya Motor Insurance Pool	-	13,077,387	-	13,077,387
Receivables arising out of direct insurance arrangements	110,048,600	119,219,317	-	229,267,917
Other receivables	61,800,440	44,752,043	-	106,552,483
Deposits with financial institutions	583,540,118	-	-	583,540,118
Cash and cash equivalents	25,667,148	-	-	25,667,148
	1,176,926,202	283,962,880	50,873,977	1,511,763,059

52. Financial risk management objectives and policies (continued)

Financial risk (continued)

Long-term insurance contracts (continued)

As at 31 December 2014	Neither past-due nor impaired Shs	Past due but not impaired Shs	Impaired Shs	Total Shs
Quoted investments	12,164,872	-	-	12,164,872
Investments with fund managers	36,949,711	-	-	36,949,711
Government securities held to maturity	154,161,397	-	-	154,161,397
Policy loans receivable	59,401,707	57,027,948	23,715,596	140,145,251
Receivables arising from reinsurance arrangements	-	1,301,334	-	1,301,334
Kenya Motor Insurance Pool	-	10,218,076	-	10,218,076
Receivables arising out of direct insurance arrangements	96,414,058	102,920,581	-	199,334,639
Other receivables	42,090,325	30,743,704	11,912,173	84,746,202
Deposits with financial institutions	92,919,418	-	-	92,919,418
Bank and cash balances	12,269,289	-	-	12,269,289
	506,370,777	202,211,643	35,627,769	744,210,189

The fair value of collateral on the loans amounted to Shs. 221.6 million (2013: Shs. 121.7 million). No collateral is held for any of the above assets (except policy loans). All receivables that are neither past due or impaired are within their approved credit limits, and none have had their terms renegotiated.

	2014 Shs	2013 Shs
Quoted investments	11,239,661	12,164,872
Unquoted investments	4,440,544	-
Investments with fund managers	43,031,393	36,949,711
Government securities held to maturity	294,257,926	154,161,397
Corporate bond	1,000,000	-
Policy loans receivable	133,031,165	140,145,251
Receivables arising from reinsurance arrangements	66,657,317	1,301,334
Kenya Motor Insurance Pool	13,077,387	10,218,076
Receivables arising out of direct insurance arrangements	229,267,917	199,334,639
Other receivables	106,552,483	84,746,202
Deposits with financial institutions	583,540,118	92,919,418
Bank and cash balances	25,667,148	12,269,289
	1,511,763,059	744,210,189

53. Financial risk management objectives and policies (continued)

Financial risk (continued)

iii) Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices. Principally, these are quoted shares not held for the account of unit-linked business.

The company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market and carefully planned use of financial instruments.

The company has no significant concentration of price risk.

Changes in the equity index will have the following impact on the statement of profit or loss:

	% change in base	2014 Shs	2013 Shs
Equity investments at fair value through profit or loss (Quoted)	+/(-)5%	561,983	608,244
Investments with fund managers	+/(-)5%	2,151,570	1,847,486

iv) Liquidity risk
Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The maturity profile of assets and liabilities is as shown below.

54. Financial risk management objectives and policies (continued)

Financial risk (continued)
iv) Liquidity risk (continued)
The maturity profile of undiscounted cash flows payable by the company is as follows:

Year ended 31 December 2014

	Up to 3 months Shs	4 to 12 months Shs	1 to 5 years Shs	No fixed maturity Shs	Total Shs
Liabilities					
Insurance contract liabilities	379,350,591	-	-	729,585,996	1,108,936,587
Outstanding claims	-	379,350,591	-	379,350,591	
Payable under investment contracts	-	-	89,594,142	-	89,594,142
Payables under reinsurance arrangements	70,316,641	-	-	-	70,316,641
Borrowings	-	15,475,173	-	-	15,475,173
Other payables	-	72,362,438	-	-	72,362,438
	449,667,232	467,188,202	89,594,142	729,585,996	1,736,035,572

55. Financial risk management objectives and policies (continued)

Financial risk (continued)
iv) Liquidity risk (continued)
The maturity profile of undiscounted cash flows payable by the company is as follows:

As at year ended 31 December 2013

	Up to 3 months Shs	4 to 12 months Shs	1 to 5 years Shs	No fixed maturity Shs	Total Shs
Liabilities					
Insurance contract liabilities	165,152,004	-	-	464,887,600	630,039,604
Outstanding claims	165,152,004	165,152,004			165,152,004
Payable under investment contracts	-	-	61,317,539	-	61,317,539
Payables under reinsurance arrangements	34,383,680	-	-	-	34,383,680
Borrowings	-	26,710,177	-	-	26,710,177
Other payables	-	26,083,381	15,066,048	-	41,149,429
	199,535,684	217,945,562	76,383,587	464,887,600	958,752,433

v) Currency risk
The Company predominantly transacts in Kenya Shillings (Shs). The risk associated with transactions in other currency is considered nominal.

56. Financial risk management objectives and policies (continued)

Financial risk (continued)
v) Fair value estimation
TThe following table presents the company's financial assets and liabilities that are measured at fair value at the reporting date.

As at 31 December 2014	Level 1 Shs	Level 2 Shs	Level 3 Shs	Total Shs
Assets				
Financial assets				
Quoted shares at fair value through profit or loss	11,239,661	-	-	11,239,661
Investments with fund managers	43,031,393	-	-	43,031,393
Total assets	54,271,054	-	-	54,271,054

As at 31 December 2013	Level 1 Shs	Level 2 Shs	Level 3 Shs	Total Shs
Assets				
Financial assets				
Quoted shares at fair value through profit or loss	12,164,872	-	-	12,164,872
Investments with fund managers	36,949,711	-	-	36,949,711
	49,114,583	-	-	49,114,583

There are no financial liabilities measured at fair value through profit and loss as at 31 December 2014.

vi) Financial assets by category

	Loans and receivables Shs	Financial assets at fair value through profit or loss upon initial recognition Shs	Held to maturity Shs	Total Shs
Financial assets				
As at 31 December 2014				
Quoted shares	-	11,239,661	-	11,239,661
Unquoted shares	-	4,440,544	-	4,440,544
Investments with fund managers	-	43,031,393	-	43,031,393
Government securities	-	-	294,257,926	294,257,926
Corporate bond	-	-	1,000,000	1,000,000
Kenya Motor Insurance Pool	13,077,387	-	-	13,077,387
Policy loans receivable	82,157,592	-	-	82,157,592
Receivables arising from reinsurance arrangements	66,657,317	-	-	66,657,317
Receivables arising out of direct insurance arrangements	229,267,917	-	-	229,267,917
Other receivables	106,552,483	-	-	106,552,483
Deposits with financial institutions	583,540,118	-	-	583,540,118
Cash and cash equivalents	25,667,148	-	-	25,667,148
	1,106,919,962	58,711,598	295,257,926	1,460,889,486

57. Financial risk management objectives and policies (continued)

Financial risk (continued)

vi) Financial assets by category (continued)

	Loans and receivables Shs	Financial assets at fair value through profit or loss upon initial recognition Shs	Held to maturity Shs	Total Shs
As at 31 December 2013				
Quoted shares	-	12,164,872	-	12,164,872
Investments with fund managers	-	36,949,711	-	36,949,711
Government securities	-	-	154,161,397	154,161,397
Kenya Motor Insurance Pool	10,218,076	-	-	10,218,076
Policy loans receivable	116,429,655	-	-	116,429,655
Receivables arising from reinsurance arrangements	1,301,334	-	-	1,301,334
Receivables arising out of direct insurance arrangements	199,334,639	-	-	199,334,639
Other receivables	72,834,029	-	-	72,834,029
Deposits with financial institutions	92,919,418	-	-	92,919,418
Cash and cash equivalents	12,269,289	-	-	12,269,289
	505,306,440	49,114,583	154,161,397	708,582,420

58. Financial risk management objectives and policies (continued)

Financial risk (continued)

v) Fair value estimation

The following table presents the company's financial assets and liabilities that are measured at fair value at the reporting date.

	2014			2013		
Financial liabilities	**Financial liabilities at fair value through profit or loss Shs**	**Financial liabilities at amortised cost Shs**	**Total Shs**	**Financial liabilities at fair value through profit or loss Shs**	**Financial liabilities at amortised cost Shs**	**Total Shs**
Borrowings	-	15,475,173	15,475,173	-	26,710,177	26,710,177
Creditors arising from reinsurance arrangements	-	70,316,641	70,316,641	-	34,383,680	34,383,680
Other creditors and liabilities	-	68,204,873	68,204,873	-	41,149,427	41,149,427
	-	153,996,687	153,996,687	-	102,243,284	102,243,284

59. Capital management

The company's objectives when managing capital, which is a broader concept than the 'shareholders' funds' on the financial position are to:

- Comply with the capital requirements as set out in the Kenyan Insurance Act;
- Comply with the regulatory solvency requirements as set out in the Insurance Act;
- 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
- Provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

60. Capital management (continued)

The Kenyan Insurance Act requires each insurance company to hold the minimum level of paid up capital and for life business, at the minimum amount is Shs. 150 Million. In Kenya the solvency and capital adequacy margins are calculated based on Kenyan Solvency Law, which requires the application of a formula that contains variables for expenses and admitted assets, as contained in section 41 of the Kenyan Insurance Act.

Long term insurance businesses are required to keep a solvency margin equivalent to the higher of Shs 10 million or 5% of total admitted liabilities.

The solvency margin of the company as at 31 December 2014 and 2013 is illustrated below:

	2014 Shs	2013 Shs
Admitted assets	1,698,106,582	941,215,770
Admitted liabilities	1,475,293,385	822,360,163
Margin	222,813,197	118,855,607
Required margin	73,764,669	41,118,008

61. Currency

These financial statements are presented in Kenya Shillings (Shs).

62. Country of incorporation

Pioneer Assurance Company Limited is incorporated in Kenya under the Kenyan Companies Act as a private limited liability company and is domiciled in Kenya.

A LONG TERM INSURANCE BUSINESS REVENUE ACCOUNT

Appendix I – Long Term Insurance Business Revenue Account

	Life business Shs	2014 Total Shs
Insurance premium revenue	2,608,481,174	2,608,481,174
Unearned premiums	-	-
Gross earned premiums	2,608,481,1740	2,608,481,174
Premium ceded to reinsurers	(959,905,273)	(959,905,273)
Net earned premiums	1,648,575,901	1,648,575,901
Investment and other income	146,392,066	146,392,066
Commissions earned	66,989,030	66,989,030
Total income	1,861,956,997	1,861,956,997
Death claims	(669,597,161)	(669,597,161)
Surrenders	(9,271,540)	(9,271,540)
Annuity payments	(233,210,715)	(233,210,715)
Change in actuarial value of policyholders' benefits	(264,698,397)	(264,698,397)
Interest declared under investment contracts	(7,408,696)	(7,408,696)
Recoverable under reinsurance contracts	158,781,100	158,781,100
Net claims and policyholder benefits payable	(1,025,405,409)	(1,025,405,409)
Operating and other expenses	(310,185,492)	(310,185,492)
Commissions payable	(159,245,980)	(159,245,980)
Total policy owner benefits and payable	(1,494,836,881)	(1,494,836,881)
Profit before income tax	367,120,116	367,120,116
Income tax expense	(106,603,002)	(106,603,002)
Profit after tax	260,517,114	260,517,114

Appendix I – Long Term Insurance Business Revenue Account (Continued)

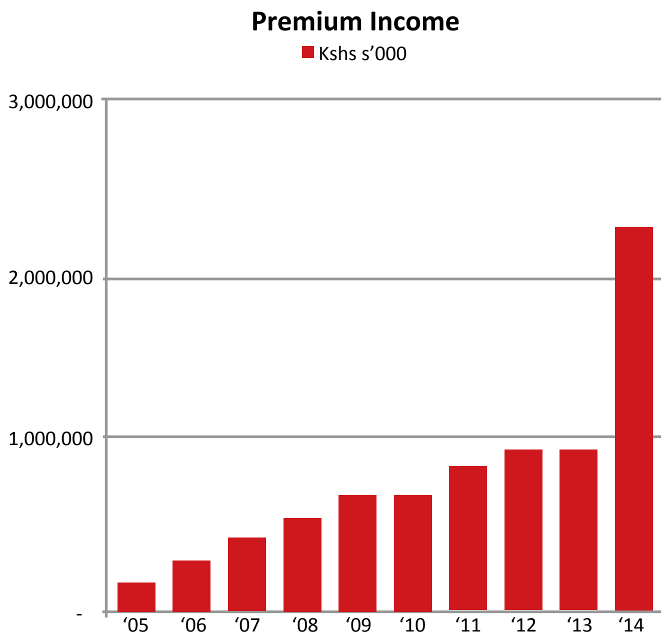
	Life business Shs	Medical Business Shs	2013 Total Shs
Insurance premium revenue	965,569,150	-	965,569,150
Unearned premiums	-	-	-
Gross earned premiums	965,569,150	2,528,844	968,097,994
Premium ceded to reinsurers	(85,633,328)	-	(85,633,328)
Net earned premiums	879,935,822	2,528,844	882,464,666
Investment and other income	67,745,582	-	67,745,582
Commissions earned	9,125,984	-	9,125,984
Total income	956,807,388	2,528,844	959,336,232
Life and health claims	(290,824,403)	(11,420,295)	(302,244,698)
Surrenders	(12,240,177)	-	(12,240,177)
Annuity payments	(245,800,562)	-	(245,800,562)
Change in actuarial value of policyholders' benefits	(52,942,558)	-	(52,942,558)
Interest declared under investment contracts	(4,373,618)	-	(4,373,618)
Recoverable under reinsurance contracts	9,362,976	-	9,362,976
Net claims and policyholder benefits payable	(596,818,342)	(11,420,295)	(608,238,637)
Operating and other expenses	(179,567,736)	(1,355,159)	(180,922,895)
Commissions payable	(125,408,022)	-	(125,408,022)
Total policy owner benefits and payables	(901,794,100)	(12,775,454)	(914,569,554)
Profit before income tax	55,013,288	(10,246,610)	44,766,678
Income tax expense	(19,077,124)	-	(10,500,000)
Profit after tax	35,936,164	(10,246,610)	34,266,678

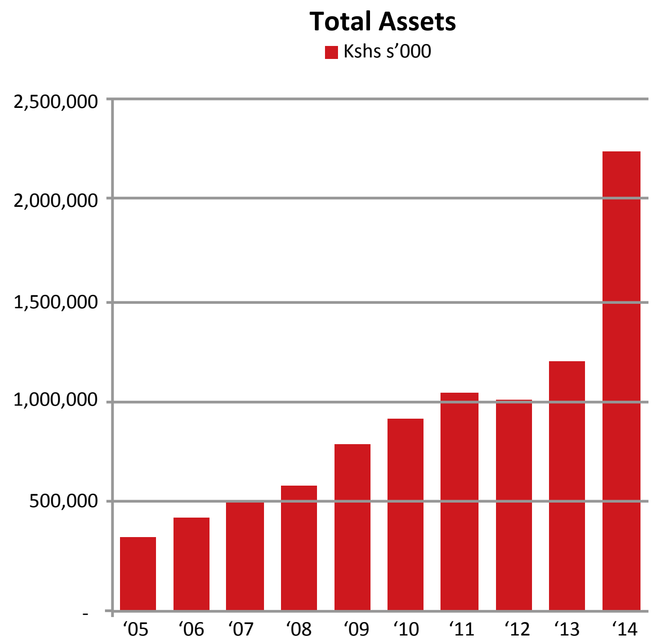
GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

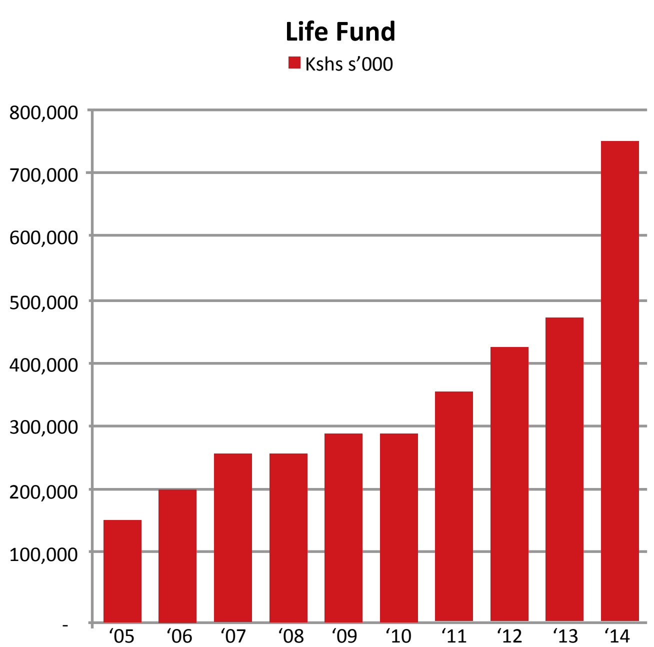
Appendix II – Long Term Insurance Business Revenue Account

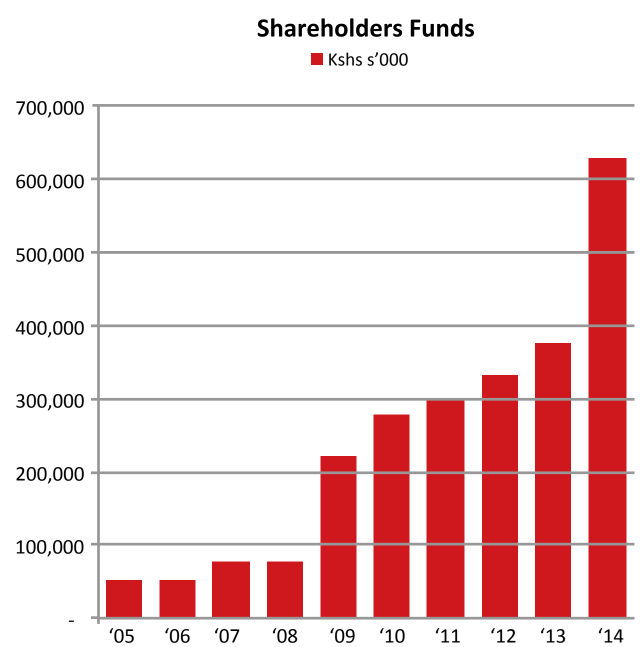
	Motor Private Shs	Motor Commercial Shs	2014 Total Shs	2013 Total Shs
Claims outstanding b/f	2,515,000	3,736,250	6,251,250	6,251,250
Claims outstanding c/f	(2,515,000)	(3,736,250)	(6,251,250)	(6,251,250)
Income not charged to any fund or account				
Share of income from Kenya Motor Pool			2,859,311	3,807,805
Profit before tax			2,859,311	3,807,805

PERFORMANCE STATISTICS









PRODUCTS AND SERVICES

Endowment

This is an endowment policy taken on a fixed sum assured or premium for a specified duration in years. The sum assured is payable upon maturity or upon the death of the life assured and participates in profits. The policy can be surrendered for cash during the life of the policy provided it is in force.

The policy provides for term of cover 10 to 30 years. The policy acquires surrender and paid up values upon full payment of premiums for three years entitling the policy holder to acquire a loan as stated in the policy.

The product benefits can be enhanced by incorporating Personal Accident as well as Funeral Expense riders.

Anticipated Endowment

This is policy features a fixed sum assured for a specified duration in years. The policy provides for term of cover from 12 to 21 years. The policy has cash benefits payable every 1/3 and 2/3 period while the balance plus accrued Bonus are payable at maturity.

On death the full sum assured together with accrued bonuses is payable without any deduction of amounts that may have been paid earlier as cash benefits. The policy acquires surrender and paid up values after three years of full premium payment. The product benefits can be enhanced by incorporating Personal Accident as well as Funeral Expense riders.

Super Investor Policy-Regular Premium

This is an investment plan coupled with insurance benefits and provides for a minimum term of 10 years. In the event of death during the term of the policy the life cover benefit.

Cash benefits are paid to the assured during the life of the policy based on the fund value. Interest accrues monthly and is re invested. The policy includes Waiver of premium benefit which ensures that in the unfortunate event of premature death, the fund value continues to grow because the company will continue to pay the investment premium, and the cash benefits when they fall due will be paid to the nominated beneficiaries. This policy can be used to plan for the education of your child or other future commitments.

Super Investor Policy -Single Premium

The product provides for a minimum term of 5 years. In the event of death during the term of the policy, the investment component and life cover is paid out.

Family Master Plan

This is an investment product with a funeral whole life cover for self, immediate family and extended family. The FMP allows you flexibility to choose any term from 3 years.

On the death of the applicant, waiver of premium applies and the policy covers the nuclear family up to the time the age of the applicant, had s/he lived, gets to 65.

On the death of a covered dependent, his/her premium goes to the cash bonus automatically thus boosting the savings further. The policy holder may access the cash bonus any time after 3 years of premium payment to take care of personal commitments. On the death of the applicant, the accumulated cash bonus goes to the beneficiary.

New Family Master Plan

This product is similar to the Family master plan. It provides for:

1. Funeral Cover for self and covered dependants
2. Waiver of premium – free continuance of cover for nuclear family – on death of life assured while the policy is in force.
3. Annual cash benefit payments as from the 3rd year. The policy also carries a surrender value.

Heshima Mpango Poa

It is a group life Product that offers Funeral cover for the family. It pays for the first death for a family member within one year. Benefit are Payable in 24 – 48 hours from the time of reporting. Entry age Limit is 6 months to 74 years.

School Fees Policy

Education is the key to every child's future. Prudent parents plan to ensure that their children's educational opportunities are assured. Our school fees policy can help you plan well since it covers all contingencies, even those after the child comes of age. It pays for both present and future needs and protects the child even if the parent passes away before the child has completed his/her education. The policy allows choice of any term between 10 and 18 years depending on the age of the child. Most importantly, it provides you with cash payouts for the last 6 years of the policy anniversary equivalent to a percentage of the sum assured. After three years of full premium payment the policy will acquire cash and paid up values, entitling the policy holder to acquire a loan as stated in the policy. The product benefits can be enhanced by incorporating Personal Accident as well as Funeral Expense riders. It also allows you insurance tax relief amounting to 15% of the premium paid subject to maximum of Kshs. 3,000 per month. The full amount payable at maturity is tax-free.

Hazina Policy

Hazina is an innovative and flexible life insurance product which is structured to suit the financial needs and challenges of our dynamic economy. It recognizes that the old concept of fixed premium and fixed benefit does not respond to the economic pressures of inflation, high interest rates, recession and taxation. Hazina allows you to save your money and protect your loved ones at the same time. Policy Value increases steadily from the start of the policy as premium is paid. The Death Benefit is initially equal to the Face Amount of Insurance which is selected by you at the commencement of the policy. However, in some instances, the Policy Value can actually surpass the Face Amount of the policy and when this happens; the Death Benefit becomes equal to the increasing Policy Value. The policy incorporates both life and investment elements and offers a life cover at very competitive rates. - Hazina allows you to decide how much life Insurance you need and subject to certain requirements and limitations, you may adjust the death benefit and the premium payments over the term of your policy to fit your changing circumstances.

Other features

Policy Loans – You may choose to apply for a policy loan against the policy value at competitive interest rates. This ensures the policy value remains intact.

Partial withdrawals – One partial withdrawal can be made in each policy year without incurring any administrative fee.

Premium holiday – In times of economic hardship you may temporarily suspend premium payment and continue enjoying cover out of the accumulated policy value.

Inflation Beater – Hazina allows you to escalate/increase premiums every year by a certain percentage, say at 5 %, 7.5%, 10%, 12.5% and 15%. Escalation option is taken to beat inflation and has the effect of increasing the units and ultimately the accumulated policy value at maturity.

Benefits

Policy Value

The premiums you pay are accumulated within your Policy Value after deduction of administration fees. The Policy Value is credited with interest monthly at a competitive rate determined by the performance of the investments underlying this portfolio.

Income Guard Policy

This policy is intended to provide lump sum benefits in case of death of the policy holder. It is specially designed to protect your income from uncertainties thus affording you peace of mind to ensure you focus on income generation activities without worry. The accidental death benefit is at ten times the lump sum benefit. This product also carries several other benefits namely, Life Cover, Accidental Death Benefit, Total and Permanent Benefit due to accident, Income Replacement, Accident Medical Expenses Reimbursement, Funeral Expenses

Med-Life Policy

At Pioneer Assurance, we have a solution, which will not only provide life cover to applicants but also ensure their families live a healthy life by providing access to superior medical care at affordable rates. Our Life & Health Policy will put your mind to rest and allow you to go about your business in the knowledge that your family is adequately protected.

Scope of Cover: It provides for both life and health covers up to a maximum of Ksh. 500,000.

Term: Minimum term is 5 years and Maximum term is up to age 70

Age at Entry:

Any children from one month to adults of fifty-five years old shall be eligible for membership. Dependants shall include one legal spouse, own or legally adopted or foster children. Joining between fifty years to fifty five years requires a medical examination report.

Waiting Period: A waiting period of 90 days will apply for illnesses and 12 months for surgery. There will be no waiting period for benefits payable on accidental death; however a six month waiting period will apply for natural death

Benefits

Life cover to the applicant ONLY (Minimum sum assured of KShs. 100,000 and a Maximum of KShs. 500,000)
Medical cover on an in-patient basis for the family (Applicant, Spouse and Five children), Minimum cover limit per year of KShs. 100,000, Maximum of KShs. 500,000).

No Claims Discount: Where the family does not make any claim within 36 months, the applicant will be entitled to a no-claims discount. The discount will be paid in cash for check-off & Banker's order cases and in form of reduced premium at renewal for cash cases.

Income on Hospitalization: The policy also incorporates an additional income on hospitalization benefit at the rate of KShs. 500 from the third day of hospitalization up to the 14th day. This benefit will be paid only when the applicant (not dependant) is hospitalized.

PRODUCTS AND SERVICES

Group Life

A Term assurance cover provided to a group of people which exists for purposes other than insurance. Amount of cover can be on a fixed sum basis or based on a multiple of salary. Minimum entry age for members is 18 years and maximum entry age is 65 years. Cover generally purchased by employers on the lives of employees for benefit of dependants incase of death or disability due to sickness or accident. Rider options available include critical illness, PTD, Last Expense, medical and WIBA. Free cover limits available (cover provided without sending client for medical examination). Cover provided for one year renewable and can be extended to spouses and dependants.

Benefits

1. Death of covered member – Selected Sum Assured is payable, subject to terms.
2. Permanent Total disability (PTD) of policyholder – Selected benefit is payable.
3. Critical Illness– percentage of Sum Assured is payable as a lump sum.

Group Credit

A Term assurance cover provided to a group of creditors, The group must exist for purposes other than insurance. Amount of cover is an equivalent of the actual outstanding loan amount. Cover generally purchased by the institution that issue loans to qualified members to protect the institution against losses as a result of death or disability of the persons for whom loans have been awarded. Pioneer Assurance Company pays the outstanding loan amount as at the time of death of the member insured. Cover provided for one year renewable and is available for as long as the loan still exists. It ceases immediately the loan amount is cleared.

The Individual Pension Plan (IPP)

Is an arrangement for individuals, who would like to save for retirement and, especially, do not belong, as members, to an occupational retirement scheme. In order to enjoy the benefits available under the IPP, you are required to complete the IPP Application Form. On receipt of this form, Pioneer Assurance will issue you with a policy document. This becomes your title document for your investment in the Individual Pension Plan. Pioneer Assurance Company Limited will maintain an account to which your future contributions (if any) will be credited together with interest your contributions will accrue over the term of your investment. You will be able to monitor your account through regular statements of your fund that Pioneer will issue to you. The account can also be credited with any transfer of benefits from other retirement benefit schemes to which you were formally a member. The IPP is registered under Income Tax Department as a retirement benefits plan enabling you to take advantage of tax-free benefits on contributions and the benefits payable upon exit from the plan. Further, as is required by law, the Plan is registered with the Retirement Benefits Authority. Consequently, the Plan is managed in full compliance of the Retirement Benefits Act and the subsidiary rules attaching to it.

The main features of the IPP are as here under:

- There is no requirement for you to appoint trustees and other professional service providers as stipulated under the RBA;
- Pioneer Assurance Company Limited takes all responsibilities in ensuring full compliance of the Plan with all legislative authorities (Retirement Benefits Authority and Kenya Revenue Authority) and is responsible for the audit, management, custodial and actuarial services;
- Your employer (if any) is able to contribute into the Plan at the rate (percentage of salary) agreed with you. Contributions paid into the plan by the Employer on behalf of a member vest to the member immediately they are paid into the scheme;
- You will have the flexibility of contributing as much as you would like in order to enhance your retirement benefits subject to the set minimum;
- Although the normal retirement age is 60, you may defer taking the benefits to a later date (late retirement);
- Your change of employment does not affect the Plan as you can continue contributing into the Plan in the new employment, suspend contributions until securing new employment or defer benefits until retirement;
- You will be provided with an annual statement showing the contributions and interest credited during the year;
- A member can also take advantage and arrange individual life insurance with Pioneer Assurance Company Limited to enhance their savings and also obtain life assurance cover; and
- At retirement you can apply your benefit to obtain very favourable pensions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OUR BRANCH NETWORK

NAIROBI (1)
Finance House
Loita street
7th Floor

NAIROBI (2)
Pioneer Kimathi House
Kimathi street
7th Floor

KISUMU
Pioneer House
Oginga Odinga Street
1st Floor

HOMABAY
Sonyacco Plaza
Bank Road
1st Floor

MALINDI
Malindi Complex
Lamu Road
Ground Floor

NAKURU
Giddo Plaza
Ground Floor
Nakuru - Eldoret Highway

MACHAKOS
Mbitini House
Mbolu Malu Road
2nd Floor

ELDORET
Zion Mall
First Floor

MOMBASA
TSS Tower
Moi Avenue
4th Floor

BUNGOMA
Bungoma Municipality
Moi Avenue
1st Floor

THIKA
Thika Arcade
Kenyatta Highway
5th Floor

KITALE
Ndege House
Kenyatta Street
2st Floor

MERU
Meru Mwalimu Plaza
Gakoromone Road
2nd Floor

VOI
Maghonyi plaza
4th floor

NYERI
Wakiawa House
Kanisa Road
2nd Floor

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