PIONEER ASSURANCE

YOUR SECURITY FOR THE FUTURE

Annual Report & Financial Statements 2012

Progressive
Growth Together

Life is fragile

*"Ninawaheshimu wazazi wangu;
wamenichukulia bima ya School Fees."*

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, Imagination, Initiative.

Company Information

PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Pioneer House
Moi Avenue 3
P.O. Box 20333 - 00200
City Square, NAIROBI

ACTUARY

Mr. Nalin Kapadia
102 F Wing Pranay Nagar, Ram Mandir Ext Road,
Vazira Naka Borivli (West) Mumbai, 400 092 India

BANKERS

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

Commercial Bank of Africa Limited
P.O. Box 30437 - 00100
NAIROBI

Habib Bank (K) Ltd
P.O. Box 30673 – 00100
NAIROBI

SOLICITORS

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

SECRETARY

Winniefred N. Jumba
Livingstone Associates
P.O. Box 30029 - 00100
NAIROBI

AUDITORS

Ernst & Young
Kenya –Re Towers, Upper Hill
P.O. Box 44286 - 00100
NAIROBI

Board of Directors

Standing from left to right

Michael G. Mure (**Director**), Mtalaki Mwashimba (**Director**), Amai Olubai (**Director**)

Seated from left to right

Shiraz Jeraj (**Director**), Moses Kimani (**Managing Director**),
Bonaventure Omuse (**Chairman**), John Okondo (**Director**)

Chairman's Report

"The gross premium income grew by 22% from Kshs. 759 million in 2011 to Kshs. 924 million in 2012."

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 2012.

Business environment

The following highlights characterized the business environment during the period under review;

In the year 2012, the economy improved marginally from a GDP growth rate of 4.4% to an average of 4.6% and is projected to grow by around 5.6% in year 2013. The first half of the year witnessed a number of challenges such as high inflation rate and high interest rates that negatively affected the economy.

There was improvement towards the end of the year with the central bank rate dropping from 18% to 11%, the inflation rate dropping from 18% in January to 3% in December and the Kenya shilling appreciating marginally against the US dollar.

The Nairobi stock exchange had a marked improvement with the NSE 20 share index improving from 3205 points at the start of the year to 4133 points as at year end.

Year 2012 results

The company performance was better compared to last year despite the challenging operating environment. The gross premium income grew by 22% from Kshs. 759 million in 2011 to Kshs. 924 million in 2012. Total assets however declined by 15% from Kshs. 1,021 million in 2011 to Kshs 998 million in 2012 mainly as a result of running off the medical business. Profits after tax were marginally better at 31.6 million compared to 29.8 million in year 2011. We strongly believe that by shedding off medical business we will be able to significantly grow our core business which is ordinary life.

Future outlook

The year 2012 was the first in our next phase of the five year strategic plan period. The company has averaged a growth rate of 34% over the last five years and we strongly believe we can sustain the growth rate at 35% over the next five years. We stopped underwriting medical business in the first quarter of year 2012 and are currently settling claims with the various service providers, shedding off this business line will result in a positive growth to our bottom line and accumulated reserves.

The company is in the process of implementing a new ERP, the rollout across our entire branch network is expected to be completed by the third quarter of 2013. Our focus in the next five years is on internal efficiency and revenue growth through strategic alliances. We are focusing on product innovation and improvement, developing the human capacity, customer service and effective distribution channels

I once again express my confidence and wish to emphasize that the company is taking 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 2012, our Clients, Brokers, Agents and other business partners for their continued patronage and support during the year. I also wish to thank the Management, Agents and Staff of Pioneer Assurance 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

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; Audit and compliance committee, Finance and investment committee and, Remuneration & appraisal committee. All board committees have charters that govern their operations.

(i) Audit and compliance committee

The committee is comprised of three members and meets on a quarterly basis.

Membership:-

Mr. John M. Okondo	Chairman	Non Executive Director
Mr. Amai Olubayi	Member	Non Executive Director
Mr. Mtalaki Mwashimba	Member	Non Executive Director

The Managing Director may attend 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 four meetings during the year and all members attended.

(ii) Finance and Investment Committee

This committee meets on a quarterly basis and has four members

Membership:-

Mtalaki Mwashimba	Chairman	Non Executive Director
Amai Olubayi	Member	Non Executive Director
Michael Mure	Member	Non Executive Director
Shiraz Jeraj	Member	Non Executive Director
Moses N Kimani	Member	Managing Director

The chief financial officer attends some meetings on invitation by the Board. 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 bi annually and has three members
Membership:-

Mr. Bonaventure Omuse	Chairman	Non Executive Director
Amai Olubayi	Member	Non Executive Director
Moses Kimani	Member	Managing Director

The Human Resources and administration manager attends some meetings of the committee on invitation by the committee. The functions of the Remuneration and recruitment Committee are outlined in its terms of reference and include: Reviewing and approving the annual 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 2012. 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

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2012, which disclose the state of affairs of the Company.

1. Principal Activities

The Company operates in two principal areas of business, according to the nature of products and services offered. It provides individual life insurance and group life insurance. Through its ordinary life insurance business, the Company offers a wide range of long-term insurance products e.g. education, anticipated endowment, whole life, term assurance and unitised products. The group life assurance provides covers to corporate clients for the benefit of their employees. The general insurance and medical line of business are on a run–off.

2. Results

The results for the year are shown on page 13.

3. Dividend

The directors do not recommend payment of a dividend in respect of the year ended 31 December 2012 (2011: KShs nil).

4. Reserves

The reserves of the Company are set out on page 14 of these financial statements.

5. Directors

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

Mr. Bonaventure Omuse	-	Chairman
Mr. Moses N. Kimani	-	Managing Director (Principal Officer)
Mr. Mtalaki Mwashimba		
Mr. Amai Olubayi		
Mr. Shiraz A. Jeraj		
Mr. John M. Okondo		
Mr. Michael K. Mure		

6. Auditors

Ernst & Young have expressed their willingness to continue in office in accordance with section 159(2) of the Kenyan Companies Act.

By order of the Board

Livingstone Associates
Secretary

26th April 2013
Date

Statement of Directors' Responsibilities

The Kenya 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 operating results for that year. It also requires the directors to ensure that the Company keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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.

....

Bonaventure Omuse
DIRECTOR

....

Shiraz Jeraj
DIRECTOR

26th April 2013
....
Date

Report of the Consulting Actuary

I have conducted an actuarial valuation of the life assurance business of Pioneer Assurance Company Limited as at 31 December 2012. The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act.

These 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 audited 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 2012.

Mr. Nalin Kapadia
....
Actuary

24th April 2013
....
Date

Report of the Independent Auditors

We have audited the accompanying financial statements of Pioneer Assurance Company Limited, which comprise the statement of financial position as at 31 December 2012, statement of comprehensive income, 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 as set out on pages 12 to 58.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an 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 judgment, including the assessment of the risks 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 the directors, 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 financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2012, and of its financial performance and its 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 Kenyan 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 financial position and statement of comprehensive income are in agreement with the books of account.

Ernst & Young

Nairobi

29th April 2013 2013

Statement of Financial Position
As at 31 December 2012

	Note	2012 KShs	2011 KShs
ASSETS			
Property and equipment	6	13,746,809	15,003,384
Intangible assets	7	2,168,619	2,346,780
Investment property	8	436,703,000	391,600,000
Financial assets at fair value through profit or loss	9	34,663,264	29,299,598
Policy loans receivable	10	98,380,460	102,409,180
Government securities held to maturity	11	173,538,615	167,364,536
Receivables arising out of reinsurance arrangements	12	35,248,403	37,534,117
Receivables arising out of direct insurance arrangements	13	92,175,916	125,596,709
Reinsurers' share of insurance liabilities	14	210,492	8,633,967
Deferred commission	15	267,696	26,051,610
Other receivables	16	57,129,288	55,294,779
Deposits with financial institutions	17	40,083,162	43,866,250
Tax recoverable	29(a)	586,303	-
Bank and cash balances	40	12,606,760	16,165,518
TOTAL ASSETS		997,508,787	1,021,166,428
EQUITY AND LIABILITIES			
Share capital	18	150,000,000	150,000,000
Retained earnings	19	111,874,898	80,282,758
Statutory fund	20	67,942,033	70,426,587
TOTAL EQUITY		329,816,931	300,709,345
LIABILITIES			
Insurance contract liabilities	21	420,522,166	346,242,630
Payable under deposit administration contracts	22	25,276,014	18,269,694
Unit linked payables	23	15,186,512	56,852,662
Outstanding claims	24	137,764,262	104,694,782
Term loan	25	1,173,123	2,572,805
Payables arising from reinsurance arrangements	26	15,869,369	8,358,428
Other payables	27	48,893,378	58,051,493
Unearned premium reserve	28	3,007,032	123,342,384
Tax payable	29(a)	-	2,072,205
		667,691,856	720,457,083
TOTAL EQUITY AND LIABILITIES		997,508,787	1,021,166,428

The financial statements were approved by the Board of Directors for issue on 25th April 2013 ....2013 and signed on its behalf by:

Bonaventure Omuse .... Chairman

Shiraz Jeraj .... Director

Moses Kimani .... Principal Officer

Statement of Comprehensive Income

For the Year Ended 31 December 2012

	Note	2012 KShs	2011 KShs
INCOME			
Gross written premiums		923,628,847	759,262,801
Unearned premiums movement		120,335,350	(53,243,176)
Gross earned premiums	30(a)	1,043,964,197	706,019,625
Premium ceded to reinsurers	30(b)	(108,823,028)	(78,922,315)
Net earned premiums		935,141,169	627,097,310
Investment income	31	112,216,654	77,956,636
Commissions income	32	12,406,539	11,062,621
Other income	33	2,084,312	(796,107)
		1,061,848,674	715,320,460
Claims and policyholder benefits expense	34	(685,139,527)	(453,914,227)
Recoverable under reinsurance arrangements	34	35,432,523	68,302,084
Net claims incurred		(649,707,004)	(385,612,143)
Operating and other expenses	35	(208,672,374)	(149,413,051)
Commission expense	36	(162,421,264)	(141,598,340)
Profit before tax	37	41,048,032	38,696,926
Income tax expense	29(b)	(9,455,892)	(8,897,888)
Profit for the year		31,592,140	29,799,038
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		31,592,140	29,799,038
Earnings per share (basic and diluted)	39	21.06	19.87

Statement of Changes in Equity

For the Year Ended 31 December 2012

	Note	Share capital KShs	Retained earnings KShs	Statutory Fund KShs	Total KShs
As at 1 January 2011		150,000,000	59,844,459	61,065,848	270,910,307
Profit for the year		-	29,799,038	-	29,799,038
Transfer to retained earnings		-	30,000,000	(30,000,000)	-
Transfer to statutory fund	20	-	(39,360,739)	39,360,739	-
At 31 December 2011		150,000,000	80,282,758	70,426,587	300,709,345
As at 1 January 2012		150,000,000	80,282,758	70,426,587	300,709,345
Profit for the year		-	31,592,140	-	31,592,140
Transfer to retained earnings		-	31,519,641	(31,519,641)	-
Transfer to statutory fund	20	-	(31,519,641)	29,035,087	(2,484,554)
At 31 December 2012		150,000,000	111,874,898	67,942,033	329,816,931

Statement of Cash Flows

For the Year Ended 31 December 2012

	Note	2012 KShs	2011 KShs
Cash flows from operating activities:			
Profit before tax		41,048,032	38,696,926
Adjustment for:			
Depreciation		4,144,772	3,807,619
Amortisation		746,161	684,478
Gain on revaluation of investment property		(45,000,000)	(42,808,600)
Gain on disposal of property and equipment		(10,740)	(816,823)
Fair value loss / (gain) on quoted investments		(3,447,784)	3,664,296
Fair value loss / (gain) unit trust investments		(5,147,414)	943,754
Technical provisions		(53,058,480)	36,125,776
Policy loans provision		16,547,041	2,252,772
Interest on loans		525,837	471,571
Change in actuarial liabilities	34	71,794,982	59,896,742
Cash generated from operations		28,142,407	102,918,511
Increase in receivables		33,871,996	(79,161,227)
Decrease in payables		(36,307,004)	(3,686,005)
Tax paid		(12,114,400)	(7,381,822)
Net cash flow from operating activities		13,592,999	12,689,457
Cash flows from investing activities;			
Purchase of equipment		(2,888,197)	(4,601,010)
Purchase of intangible assets		(568,000)	(1,795,770)
Purchase of investment property		(103,000)	-
(Increase)/Decrease in Investment in government securities		(6,174,079)	2,479,980
(Decrease)/Increase in Investment in quoted equities		7,867,696	(2,147,094)
(Decrease)/Increase in Investments in deposit institutions		2,407,223	14,244,849
Increase in Investment in unit trusts		(4,636,164)	(3,037,483)
Proceeds from disposal of property and equipment		10,740	816,823
Policy loan advanced		(20,244,578)	(11,226,327)
Policy loan repayment		7,726,257	4,800,273
Net cash (used in) / generated from investing activities		(16,602,102)	(465,759)
Cash flows from financing activities			
Interest on loan paid		(525,837)	(471,571)
Loan repayment		(1,399,682)	(1,238,811)
Cash used in financing activities		(1,925,519)	(1,710,382)
(Decrease)/ increase in cash and cash equivalents		(4,934,622)	10,513,316
Cash and cash equivalents at the beginning of the year		54,311,638	43,798,322
Cash and cash equivalents at the end of the year	40	49,377,016	54,311,638

Technical provisions comprise of the respective non cash movements arising from reinsurers' share of reinsurance liabilities (note 14), deferred commissions (note 15) and unearned premium reserves (note 28).

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Kenyan Companies Act. The financial statements are prepared on the historical cost basis, except for the revaluation of certain equipment, marketable securities and investment property at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

b) New and amended standards, interpretations and improvements
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures
- IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

These revised standards and interpretations did not have any material effect on the financial performance or position of the Company. They did, however, give rise to additional disclosures in some occasions.

The principal effects of these changes are as follows:

- AS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the Company's financial position, performance or its disclosures.

- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters: The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Company.

- IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements: The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements to IFRSs
These improvements will not have an impact on the Company, but include:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.
- IAS 1 Presentation of Financial Statements: This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.
- IAS 16 Property Plant and Equipment: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 Financial Instruments, Presentation: This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.
- IAS 34 Interim Financial Reporting: The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the Companying of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1
These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Company.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation —Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Company. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application. The standard will not have an impact on the Company.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Company.

c) Underwriting results

(i) The outstanding claims represent claims arising from incidents occurring prior to the reporting date but not settled at the time the records for the year are closed. The short term business is on run off.

(ii) Results of the Company's share of the two Kenya Motor Insurance Pools are accounted for in the revenue accounts in accordance with the Pool's accounting year which runs from October to September of the following year. As a result, the Pool's results for the year have been accounted for on an estimated basis.

(iii) Premium income on medical business is recognised on assumption of risks, and includes estimates of premiums due but not yet received less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the reporting date that relates to the unexpired terms of policies in force at the reporting date, and is computed using the 1/24ths method.

(iv) Reinsurance - The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.
Investment income on these contracts is accounted for using the effective interest rate method when accrued.

(v) Product classification - Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

(vi) Investment contracts - These are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

(vii) Deferred acquisition costs (DAC) - Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and/or investment contracts with DPF, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC for life insurance and investment contracts with DPF are amortised over the expected life of the contracts as a constant percentage of expected premiums. DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognised when the related contracts are either settled or disposed of.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(viii) Insurance receivables - Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.
Insurance receivables are derecognised when the derecognition criteria for financial assets.

(ix) Insurance contract liabilities
Life insurance contract liabilities
Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

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

Non-life insurance (which comprises general insurance and healthcare) contract liabilities
Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled. The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

(x) Insurance payables
Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition insurance payables
Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

(xi) Deferred revenue
Initial and other front-end fees received for rendering future investment management services relating to investment contracts without DPF, are deferred and recognised as revenue when the related services are rendered.

(xii) Benefits, claims and expenses recognition
Gross benefits and claims
Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(xiii) Income recognition
Premium income on life and medical policies relates to business incepted during the year, and includes estimates of premiums due but not yet received, less an allowance for estimated lapses.

Group life premiums are accounted for when receivable and collection is reasonably assured.

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

Investment income - Interest income is recognised in the profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established.

Rental income - Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

Fees and commission income - Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods then they are deferred and recognised over those future periods.

(xiv) Benefits and Claims incurred
Claims incurred comprise all claims occurring during the year, whether reported or not and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date.
Claims arising on maturing policies are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

(xv) Actuarial valuation
The Company determines its liabilities on long term insurance contracts using the Net Premium Valuation ('NPV') method. This method was considered to be appropriate because it arrives at prudent and conservative actuarial liabilities at the valuation date. In addition, the actuarial reserves arrived at using this method and the assumptions used will be no less than those arrived at using the minimum valuation basis set out in Insurance Act, 1997. The NPV method makes explicit assumptions in respect of expected future deaths and investment returns. The method makes implicit assumptions regarding expected experience in respect of lapses, expenses, bonuses and a margin for uncertainty on these assumptions.

The latest actuarial valuation of the Company's life fund was undertaken as at 31 December 2012 by the consulting actuary. Surpluses arising are allocated by the directors on the advice of the actuaries and in accordance with the Articles of Association, to policyholders' bonuses and the statement of comprehensive income. Any balance remaining is carried forward in the Statutory Fund.

d) Expenses and commissions
Expenses are recognised in the profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property, plant and equipment in such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

An expense is recognised immediately in the profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

e) Deposit administration contracts
The Company administers the funds of its staff retirement benefit scheme and pension on annuity for individual members. The liability of the Company to the Scheme and pension on annuity are included in the statement of financial position.

f) Property, equipment and depreciation
All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets.
These are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

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 entity and the cost of the item can be measured reliably. Day-to-day repairs and maintenance expenses are charged to the profit or loss in the year in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Motor vehicles	20%
Computers and office equipment	20%
Furniture, fixtures and fittings	12½%

The assets residual values useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively as appropriate at each financial year end.
Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the profit or loss as an expense.
An item of property and equipment is derecognised upon disposal or where no future economic benefits are expected from its use or disposed. Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

g) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life (three to five years).

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

An intangible asset shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

h) Investment property

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment property is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by external registered valuers/directors. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent expenditure on investment property 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 property. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.
Investment properties are not subject to depreciation. Changes in their carrying amount between reporting dates are recorded in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:
Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually at 31 December, either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

j) Investments and other financial assets

The Company classifies its investments into financial assets at fair value through profit or loss, loans and receivables and held-to-maturity financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. This category includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis

Or

- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income' or 'Finance cost', respectively, using the effective interest rate (EIR).

The Company evaluates its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through income or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'finance income' in the profit or loss. Gains and losses are recognised in the profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the Company's management has the positive intention and ability to hold to maturity.

After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'investment income' in the profit or loss. Gains and losses are recognised in the profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Unit linked investment contracts

These are contracts designated as financial liabilities at fair value through profit and loss. The benefits offered under these contracts are based on the return on a portfolio of equities and debt securities managed by professional investment managers. The maturity value of the financial liabilities is determined by the fair value of the linked assets. Changes in fair value are recorded in fair value gains and losses, There will be no difference between the carrying amount and the maturity amount at maturity date. Fees charged and investment income received is recognised in the profit or loss when earned.

These liabilities are derecognised when the related contracts are settled or paid.

l) Trade and other receivables

Trade receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, trade receivables are measured at amortised cost, using the effective interest rate method. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.
Bad debts are written off in the year in which they are identified as irrecoverable.

m) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date, without any deductions for transaction costs.

n) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on asset carried at amortised cost has been incurred, 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 (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is written down through use of an allowance account. The amount of the loss is recognised through the statement of comprehensive income.

When there is a decline in the fair value of an available-for-sale financial asset whose fair value gains and losses have been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the statement of comprehensive income even though the financial asset has not been derecognised.

Impairment losses recognised in the statement of comprehensive income for an investment in an equity instrument classified as available for sale are not reversed.

o) Derecognition of financial assets

Financial assets (or a portion thereof) are de-recognised when the Company's rights to the cash flows expire or when the Company transfers substantially all the risks and rewards related to the financial asset or when the Company loses control of the financial asset. On de- recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

q) Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related un-amortised costs and amounts paid for it, are included in the statement of comprehensive income. Financial liabilities – initial recognition and subsequent measurement.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs. The Company's financial liabilities include investment contracts without DPF, net asset value attributable to unit holders, trade and other payables, borrowings, and insurance payables.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Company has also designated investment contracts with DPF and net asset value attributable to unit-holders as financial liabilities at fair value through profit or loss upon initial recognition. Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the income statement.

Interest bearing loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

r) Deferred commissions

A proportion of commissions' payable in medical business is deferred and amortised over the period in which the related premium is earned.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position .For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

t) Accounts payables

Accounts payable are non interest bearing financial liabilities and are carried at amortised cost using effective interest rate (EIR) method, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed to the Company or not, less any payments made to the suppliers.

u) Retirement benefit obligations

(i) Defined contribution plan

The Company operates a defined contribution retirement benefit scheme for qualifying employees. The retirement plan is funded by payments from both employees and the Company.

The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by the local statute and currently limited to KShs. 200 per employee per month.

The Company's contributions to the defined contribution pension scheme are charged to profit and loss in the year to which they relate.

(ii) Other entitlements

The employees were previously entitled to gratuity and long service awards which were recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the liability for annual leave as a result of services rendered by employees up to the reporting date.

v) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

w) 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% actuarially determined valuation surpluses of the life business.

Movements in the statutory reserve are shown in the statement of changes in equity on page 9.

x) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

y) Taxation

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current Income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred Income tax

Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

z) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

aa) Events after the reporting date.

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

i. Critical accounting estimates and assumptions

a) Actuarial value of policy liabilities
Critical assumptions are made by the actuary in determining the present value of actuarial liabilities. These assumptions are set out in note 4 (risk management).

b) Property and equipment
Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in accounting policy (f).

c) Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue as a going concern. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

d) Impairment losses on policy loans receivables
The Company reviews its policy loans receivables at each reporting date to assess whether an allowance for impairment should be recognised in profit or loss. In particular, judgement by the directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and may result to future changes in impairment charge.

e) Fair value of financial instruments
Where the fair values of the financial assets and liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

f) Income taxes
The Company is subject to income taxes under the Kenya Income Tax Act. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and the deferred tax provisions in the period in which such determination is made.

ii. Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made judgements in determining:

a) The classification of financial assets
b) Whether assets are impaired.
c) Whether land and buildings meet the criteria to be classified as investment property.

3. SEGMENT INFORMATION

The Company operates in two principal areas of business providing life assurance and medical insurance. General insurance business is on run off.

a) Operating segment
As at 31 December 2012, the Company's operating businesses are managed and reported separately according to the nature of products and services offered, with each business segment representing a strategic business unit that offers varying products. This is the basis on which the Company reports its primary segment information.

(i) Segment income statement:

As at 31 December 2012	**Life assurance business KShs**	**Medical insurance business KShs**	**General insurance business KShs**	**Total KShs**
Gross written premiums	896,312,576	27,316,271	-	923,628,847
Net earned premiums	774,100,979	161,040,190	-	935,141,169
Other income	65,371,496	59,251,697	2,084,312	126,707,505
Total income	839,472,475	220,291,887	2,084,312	1,061,848,674
Policyholder benefits	450,205,001	199,502,003	-	649,707,004
Operating expenses	357,747,833	13,345,805	-	371,093,638
Total Expenses	807,952,834	212,847,808	-	1,020,800,642
Profit before tax	31,519,641	7,444,079	2,084,312	41,048,032
Income tax expense	(9,455,893)	-	-	(9,455,893)
Profit for the year	22,063,748	7,444,079	2,084,312	31,592,139
As at 31 December 2011				
Gross written premiums	507,997,528	251,265,273	-	759,262,801
Net earned premiums	451,428,089	175,669,221	-	627,097,310
Other income	42,847,672	46,171,585	(796,107)	88,223,150
Total income	494,275,761	221,840,806	(796,107)	715,320,460
Policyholder benefits	202,789,730	182,822,413	-	385,612,143
Operating expenses	252,125,292	38,886,099	-	291,011,391
Total Expenses	454,915,022	221,708,512	-	676,623,534
Profit before tax	39,360,739	132,294	(796,107)	38,696,926
Income tax expense	(9,000,000)	102,112	-	(8,897,888)
Profit for the year	30,360,739	234,406	(796,107)	29,799,038

3. SEGMENT INFORMATION (continued)

(ii) Segment assets as at 31 December 2012

As at 31 December 2012	Life assurance business KShs	Medical insurance business KShs	General insurance business KShs	Total KShs
Non-current assets	-	15,915,428	-	15,915,428
Financial assets	755,037,305	40,937,956	-	795,975,261
Insurance receivables	79,845,014	12,330,902	-	92,175,916
Reinsurance assets	28,745,807	210,492	6,502,596	35,458,895
Other assets	50,417,983	7,565,304	-	57,983,287
TOTAL ASSETS	914,046,109	76,960,082	6,502,596	997,508,787

As at 31 December 2011	Life assurance business KShs	Medical insurance Business KShs	General insurance business KShs	2011 Total KShs
Non-current assets	-	17,350,166	-	17,350,166
Financial assets	702,818,858	47,886,224	-	750,705,082
Insurance receivables	60,878,720	64,717,989	-	125,596,709
Reinsurance assets	37,534,117	2,131,371	6,502,596	46,168,084
Other assets	48,670,504	32,675,883	-	81,346,387
TOTAL ASSETS	849,902,199	164,761,633	6,502,596	1,021,166,428

b) Entity wide disclosure

The Company has branches spread over various towns in Kenya. These are not separate reporting entities hence their results are aggregated.

4. RISK MANAGEMENT

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. The main risks the Company is exposed to are as follows:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk-risk of loss arising from actual returns being different than expected
- Expense risk - risk of loss arising from actual expenses being different than expected
- Policyholder decision risk-risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

The key assumptions for non life (medical business) includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in future, for example one off changes in market factor such as public attitude to claiming, economic conditions as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The key assumptions for life business to which the estimation of liabilities is particularly sensitive are summarised below. The same assumptions were used in 2011.

a) Mortality and morbidity rates

The Company uses the KE2001-2003 ultimate table of assured lives as a base table of standard mortality rates. Statistical methods are used to adjust the mortality rates reflected on the base table based on the Company's experience of improvement or worsening of mortality. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and business type.

An increase in rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

b) Investment returns

The actuarial valuation as at 31 December 2012 used a discount rate of 4% p.a. compounded for individual long term insurance contracts. The same rate was used for the valuation as at 31 December 2011. The weighted average rate of return earned by the assets backing the life fund in 2012 was 10.95% (2011: 7.2% p.a.) and the average over the last valuation interest rate assumption allows for a significant margin over the actual rate earned hence strengthening the prudence in the valuation basis significantly. An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

c) Expenses and expenses inflation

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of management expenses is taken to be an appropriate expense base. The NPV method makes implicit assumptions on the level of expenses and expense inflation. As at 31 December 2012 the proportion of annual premiums reserved for future expenses was 49.7% p.a. (2011: 35.9% p.a.).This is significantly higher than the actual current level of management expenses being incurred in the life fund, again significantly strengthening the prudence in valuation basis.

4. RISK MANAGEMENT (continued)

An increase in the level of expenses would result in increase in expenditure thereby reducing profits for shareholders.

d) Sensitivity analysis

The analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant. Sensitivity information will also vary according to the current economic assumptions. The Net Premium Valuation (NPV) actuarial method used to value the actuarial liabilities of long term insurance business is not very sensitive to changes in the key assumptions used in determining the actuarial liabilities. The key actuarial assumptions will need to change very significantly for the actuarial liabilities to change by a relatively small percentage. The Company underwrites long term insurance business contracts with fixed and guaranteed terms as set out in the individual policy contracts with its clients. For actuarial liabilities under these contracts the key actuarial assumptions (i.e. interest rate used for discounting, mortality, lapses, inflation etc) are unchanged for the duration of the contract. Accordingly given the actuarial method and basis used under the NPV sensitivity analysis will not produce any significant movements.

The table below summarises the effect on the valuation of the life business, of possible changes in the key actuarial assumptions i.e. mortality and investment return assumptions.

	Base Value KShs '000	Investment Returns -1% KShs '000	Investment Returns +1% KShs '000	Mortality +10% KShs '000
Year ended 31 December 2012				
Ordinary Life Business	332,815	339,804	325,906	332,815
Superannuation Business	75,001	75,001	75,001	75,001
Total Policy liability	407,816	414,805	400,907	407,816
Year ended 31 December 2011				
Ordinary Life Business	332,815	339,804	325,906	332,815
Superannuation Business	75,001	75,001	75,001	75,001
Total Policy liability	407,816	414,805	400,907	407,816

e) Insurance risk

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

By nature of the Company's business, the uncertainty about the amount and timing of claims payments is typically resolved within one year.

4. RISK MANAGEMENT (continued)

f) Lapses and surrender rates

Lapses relate to termination of policies due to non payment of premiums. Surrender rates relate to voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on Company's experience and vary by product type, policy and sales trends. An increase in lapse rates will increase the value of insurance liability and therefore reduce profits for the shareholders.

g) Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts), reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, liquidity risk and credit risk.
These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and currency fluctuation risk.

(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.

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 to 31 December 2012.

	Change in variables	2012 Impact on profit before tax KShs	2011 Impact on profit before tax KShs
Increase in interest rate	5%	303,968	100,744
Decrease in interest rate	5%	(303,968)	(100,744)

The table below gives the concentration of interest risk

	2012	2011
Interest from government securities	43%	61%
Interest from bank deposits	33%	14%
Interest from policy loans	24%	23%
Other interest income	0%	3%

4. RISK MANAGEMENT (continued)

(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's credit risk is primarily guided by the Insurance Act. The Company has an active finance and investments committee that guides the credit control function of the Company. The committee comprises board members and sits on a quarterly basis.

The Company's credit risk is primarily guided by the Insurance Act. The Company has an active finance and investments committee that guides the credit control function of the Company. 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 31 December 2012

	Neither past-due nor impaired KShs	Past due but not impaired KShs	Impaired KShs	Total Net amount KShs
Policy loans receivable	55,958,760	18,585,390	23,836,310	98,380,460
Reinsurance receivables	28,367,428	6,880,975	-	35,248,403
Direct insurance receivables	55,407,960	28,811,916	7,956,040	92,175,916
Other receivables	35,946,721	9,270,394	11,912,173	57,129,288
Deposits with financial institutions	40,083,162	-	-	40,083,162
Bank and cash balances	12,606,760	-	-	12,606,760
	228,370,791	63,548,675	43,704,523	335,623,989

The table below provides information regarding the credit risk exposure of the Company at 31 December 2011.

4. RISK MANAGEMENT (continued)

The fair value of collateral on the loans amounted to KShs 123 million (2011: KShs. 126 million). No collateral is held for any of the above assets. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

Collateral is held for policy loans receivables. The Company records impairment allowance for policy loans receivables in a separate impairment allowance account. The movement in the allowance for impairment losses account for policy loan receivables is as follows:

	2012 KShs	2011 KShs
At start of the year	7,289,269	5,128,880
Provision charge for the year	16,547,041	2,160,389
At end of the year	23,836,310	7,289,269

(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 investment securities 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 careful and planned use of financial instruments.
The Company has no significant concentration of price risk.

Changes in prices of equities will have the following impact in the statement of comprehensive income

	% change in base	2012 KShs	% change in base	2011 KShs
Equity investments at fair value through P&L (Quoted)	+(-)5%	292,223	+(-)5%	513,219
Investments with fund managers	+(-)5%	1,382,823	+(-)5%	951,761

4. RISK MANAGEMENT (continued)

(h) 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.

	Up to 3 months KShs	3-12 months KShs	1-5 years KShs	Over 5 years KShs	Total KShs
ASSETS					
Investments	74,746,426	104,847,523	98,380,460	521,309,520	799,283,929
Trade & other receivables	92,175,916	93,442,182	-	-	185,618,098
Cash and bank balances	12,606,760	-	-	-	12,606,760
Total financial assets	179,529,102	198,289,705	98,380,460	521,309,520	997,508,787
LIABILITIES					
Insurance contract liabilities	137,764,262	3,007,032	-	420,522,166	561,293,460
Payable under investment contracts	-	-	40,462,527	-	40,462,527
Payables under reinsurance arrangements	15,869,369	-	-	-	15,869,369
Other payables	-	37,149,124	12,917,377	-	50,066,501
Total financial liabilities	153,633,631	40,156,156	53,379,904	420,522,166	667,691,857

4. RISK MANAGEMENT (continued)

The maturity profile of assets and liabilities as at 31 December 2011 is as shown below.

	Up to 3 months KShs	3-12 months KShs	1-5 years KShs	Over 5 years KShs	Total KShs
ASSETS					
Investments	73,165,848	94,318,934	102,409,180	464,645,602	734,539,564
Trade & other receivables	125,596,709	127,514,471	-	-	253,111,180
Cash and bank balances	16,165,518	-	-	-	16,165,518
Total financial assets	214,928,075	221,833,405	102,409,180	464,645,602	1,003,816,262
LIABILITIES					
Insurance contract liabilities	104,694,782	123,342,383	-	355,826,125	583,863,290
Payable under investment contracts	-	-	75,122,356	-	75,122,356
Payables under reinsurance arrangements	-	8,358,428	-	-	8,358,428
Other payables	1,896,939	48,678,945	11,945,804	-	62,521,688
Total financial liabilities	106,591,721	180,379,756	87,068,160	355,826,125	729,865,762

(i) Currency risk

The Company predominantly transacts in Kenya shillings. The risk associated with transactions in other currency is considered nominal.

5. CAPITAL MANAGEMENT

The Company's key objective in management of capital is to ensure that it operates as a going concern. Capital management is not restricted to management of equity but includes management of working capital and compliance with regulatory and other legal requirements. The Company has throughout the year maintained adequate working capital.

The Company has complied with solvency requirements and security deposits as required by the Insurance Act. The table below illustrates compliance with margin of solvency requirements and lien deposit requirements:
The management of the Company's capital base requires a continuous review of optimal capital levels, including

	2012 KShs	2011 KShs
Solvency Margin Requirements:		
Required solvency margin	33,384,593	36,158,414
Available solvency Margin	199,959,604	107,977,846
Surplus on solvency margin	166,575,011	71,819,432
Solvency ratio	599%	299%
Security Deposit Requirements:		
Required security deposits	43,382,573	41,557,306
Available security deposits	55,000,000	47,000,000
Surplus in security deposits	11,617,427	5,442,694

the use of alternative sources of funding, to maximise return on Company Embedded Value. The Company has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

Processes for managing capital:

a) Capital allocation methodology

Company businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of long-term required capital to the covered business:

(i) The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements of the Insurance Act and Kenya Companies Act. A deterministic modelling process is used to determine the long-term required capital levels.

(ii) The fair value of other Company operations includes the working capital allocated to the respective operations.

The Company's policy to ensure appropriate capital levels is two-fold:

(iii) The Company dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and

5. CAPITAL MANAGEMENT (continued)

(iv) Performance targets are set for other Company operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Company.

b) Required Capital

Long-term required capital – covered business

The Company's covered business requires significantly higher levels of allocated capital than the other Company operations. The optimisation of long-term required capital is accordingly a primary focus area of the Company's capital management philosophy given the significant potential to enhance shareholder value.

The following main strategies are used to achieve this objective:

(i) Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Company to interest rate risk, e.g. non-participating annuities, but also for participating business where asset/liability matching and investment strategy have a direct impact on capital requirements.

(ii) Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business per business.

(iii) The asset mix of the long-term required capital also impacts on the overall capital requirement. An increased exposure to interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. The expected investment return on these instruments are however lower than equity with a potential negative impact on the return on Company Embedded Value.

There is accordingly a trade-off between lower capital levels and the return on capital. The Company's stochastic capital model is used to determine the optimal asset mix that will ensure the highest return on capital.

(iv) Certain of the Company's investments in other Company operations qualify, to a varying degree, to be utilised as regulatory capital for the covered business. Maximum capital efficiency can therefore be achieved by optimising the level of such investments held in the life companies' regulatory capital.

The Company continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international developments surrounding solvency and capital requirements (for example the Solvency II initiative in the European Union).

Other Company operations

The performance measurement of other Company operations is based on the return achieved on the fair value of the businesses. Risk adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Company's main objective of optimising return on Company Embedded Value.

Audit, Risk and Complince Committee

The Audit Committee is responsible for reviewing and overseeing the management of the Company's capital base in terms of the specific strategies approved by the Board.

c) Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Company capital, subject to such initiatives

6. PROPERTY AND EQUIPMENT

Year ended 31 December 2012	Motor Vehicles KShs	Fittings & Equipment KShs	Computers KShs	Total KShs
Cost				
At 1 January 2012	5,743,285	15,879,800	16,362,061	37,985,146
Additions	-	752,980	2,135,217	2,888,197
Disposals	-	(6,000)	(18,000)	(24,000)
At 31 December 2012	5,743,285	16,626,780	18,479,278	40,849,343
Depreciation				
At 1 January 2012	1,894,345	9,192,804	11,894,613	22,981,762
Charge for the year	1,049,710	1,330,438	1,764,624	4,144,772
Disposals	-	(6,000)	(18,000)	(24,000)
At 31 December 2012	2,944,055	10,517,242	13,641,237	27,102,534
Net book value				
At 31 December 2012	2,799,230	6,109,538	4,838,041	13,746,809
Year ended 31 December 2011				
Cost				
At 1 January 2011	8,370,785	13,899,080	15,155,715	37,425,580
Additions	-	2,441,761	2,159,249	4,601,010
Disposals	(2,627,500)	(461,041)	(952,903)	(4,041,444)
At 31 December 2011	5,743,285	15,879,800	16,362,061	37,985,146
Depreciation				
At 1 January 2011	3,472,135	8,392,753	11,287,379	23,152,267
Charge for the year	1,049,710	1,244,671	1,513,238	3,807,619
Disposals	(2,627,500)	(444,620)	(906,004)	(3,978,124)
At 31 December 2011	1,894,345	9,192,804	11,894,613	22,981,762
Net book value				
At 31 December 2011	3,848,940	6,686,996	4,467,448	15,003,384

Included in the cost of property and equipment above is an amount of KShs 15,571,794 (2011: KShs 15,250,910) fully depreciated assets.

7. INTANGIBLE ASSETS

	2012 KShs	2011 KShs
Cost:		
At 1 January	10,582,089	8,947,319
Additions	568,000	1,795,770
Disposal	-	(161,000)
	11,150,089	10,582,089
Amortisation:		
At 1 January	8,235,309	7,682,765
Charge for the year	746,161	684,478
Disposal	-	(131,933)
At 31 December	8,981,470	8,235,309
Net book value:		
At 31 December	2,168,619	2,346,780

This relates to computer software. Included in the cost of intangible assets above is an amount of KShs 7,225,159 (2011: KShs 6,978,909) fully amortised assets.

8. INVESTMENT PROPERTY

	2012 KShs	2011 KShs
At start of the year	391,600,000	348,791,400
Additions	103,000	-
Gain on revaluation	45,000,000	42,808,600
At end of the year	436,703,000	391,600,000

Investment property are stated at fair value, which has been determined based on valuations performed by Gimco Limited and Nnamdi & Maende Associates, registered and independent valuers as at 31 December 2012 on the basis of open market value. The Company has entered into operating leases for its investment property. The rental income arising during the year and the expenses arising in respect of such property during the year are disclosed in note 31.

9.FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(b) INVESTMENTS WITH FUND MANAGERS	2012 KShs	2011 KShs
At start of the year	19,035,221	16,941,492
Subscriptions for the year	6,096,538	5,034,343
Withdrawals	(1,460,374)	(1,996,860)
Fair value gain / (loss)	5,147,414	(943,754)
At end of the year	28,818,799	19,035,221
Total financial assets at fair value through profit or loss	34,663,264	29,299,598

The fund managers invest the fund in unit trusts which are valued at fair value on as at year end.

yielding the applicable hurdle rate and being complementary to or in support of Company strategy. Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

9.1. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique. It should be noted that these disclosure only cover instruments measured at fair value.

Level 1 - Financial assets and liabilities that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. This level includes listed government securities in Nairobi Stock Exchange.

Level 2 - Financial assets and liabilities measured using 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). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Level 3 - Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

9.1. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2012	Level 1 KShs	Level 2 KShs	Level 3 KShs
Financial assets at fair value through profit or loss	5,844,465	28,818,799	-
Financial liabilities at fair value through profit or loss	-	-	15,186,512
2011	**Level 1 KShs**	**Level 2 KShs**	**Level 3 KShs**
Financial assets at fair value through profit or loss	10,264,377	19,035,221	-
Financial liabilities at fair value through profit or loss	-	-	56,852,662

b) Fair value of financial assets and liabilities not carried at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair value. This table does not include the fair values of non-financial assets and non-financial liabilities.

The following describes the methodologies and assumptions used to determine fair values for those financial

	Carrying amount KShs	Fair value KShs
Financial assets		
Bank and cash balances	12,606,760	12,606,760
Deposits with financial institutions	40,083,162	40,083,162
Government securities held to maturity	173,538,615	176,500,000
Policy loans receivable	98,380,460	122,216,770
Other receivables	57,129,288	69,344,757
	381,738,285	420,751,449
Financial liabilities		
Term loan	1,173,123	1,173,123
Payable under deposit administration contracts	25,276,014	25,276,014
Other payables	48,893,378	48,893,378
	75,342,515	75,342,515

instruments which are not already recorded at fair value in the financial statements:

(i) Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to bank and cash balances, bank overdraft and deposits with financial institutions without a specific maturity.

9.1. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(ii) Policy loans receivables
Policy loan receivables are carried at amortised cost using the effective interest method. Management uses the initial rate or original rates applied at the time of issuing the loan. The weighted average effective interest rate on policy loans was 14% (2011: 14%).

(iii) Other assets
The fair value for held to maturity assets is based on market prices. Where this information is not available, fair value is estimated using the quoted market prices for securities with similar credit, maturity and yield characteristics.

10. POLICY LOANS RECEIVABLE

	2012 KShs	2011 KShs
(a) Gross policy loan receivables		
At start of the year	109,698,449	103,272,395
Loans advanced	20,244,578	11,226,327
Loan repayments	(7,726,257)	(4,800,273)
	122,216,770	109,698,449
Less: Provision for impairment losses(Note 10(b))	(23,836,310)	(7,289,269)
At end of the year	98,380,460	102,409,180

	2012 KShs	2011 KShs
(b) Impairment loss		
At start of the year	7,289,269	5,128,880
Impairment loss for the year	16,547,041	2,160,389
At end of the year	23,836,310	7,289,269
Maturity profile of policy loans		
Loans maturing:		
Within 1 year		
In 1-2 Years	15,690,168	16,924,390
	13,716,792	12,389,409
In 3-5 years	92,809,810	80,384,650
	122,216,770	109,698,449

The weighted average effective interest rate on policy loans was 14% (2011: 14%). 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. Impairment loss 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.

11. GOVERNMENT SECURITIES HELD TO MATURITY

	2012 KShs	2011 KShs
Treasury bills and bonds:		
Maturing within 91 days	104,847,523	94,318,934
Maturing after 91 days but less than one year	5,915,749	4,958,548
Maturing after one year	62,775,343	68,087,054
	173,538,615	167,364,536

The weighted average effective interest rate on Government securities was 13.21% (2011: 8.79%).
The movement of government securities during the year is as shown below:

	2012 KShs	2011 KShs
Opening Book Balance	171,500,000	172,000,000
Purchases	125,000,000	91,500,000
Maturity	(120,000,000)	(92,000,000)
Closing Book balance	176,500,000	171,500,000
Unearned Interest	(1,652,477)	(2,181,066)
Unamortised Interest on bonds	(1,308,908)	(1,954,398)
Closing Market Value	173,538,615	167,364,536

12. RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	2012 KShs	2011 KShs
General business (run off)	6,843,917	5,691,209
Claims recoverable under reinsurance arrangements;		
Life business	27,536,798	29,020,404
Medical business	867,688	2,822,504
	35,248,403	37,534,117

These are receivables arising from reinsurance policy that provides an insurer with coverage for specific individual risks that are unusual or so large that they are not covered in the insurance entity's reinsurance treaties.

13. RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

	2012 KShs	2011 KShs
Check off schemes	22,260,605	39,608,023
Direct clients - life	57,584,409	21,270,697
Corporate clients - Medical	12,330,902	64,717,989
	92,175,916	125,596,709

The amounts receivable do not carry interest and are due within period ranging from 30 days to 180 days.

14. REINSURANCE SHARE OF INSURANCE LIABILITIES

	2012 KShs	2011 KShs
At start of year	8,633,967	13,398,274
Reserve released	(8,423,475)	(4,764,307)
At end of the year	210,492	8,633,967

This relates to the reinsurers portion of the unearned premium reserve in note 28.

15. DEFERRED COMMISSIONS

	2012 KShs	2011 KShs
At start of year	26,051,610	9,128,420
Movement during the year	(25,783,914)	16,923,190
At end of the year	267,696	26,051,610

This commission is related to unearned premium reserve in note 28.

16. OTHER RECEIVABLES

	2012 KShs	2011 KShs
Interest receivable	6,251,064	3,629,484
Agents loans and advances	39,989,760	35,711,842
Allowance for impairment losses (16 (a))	(11,912,173)	(12,311,611)
Staff loans and advances	10,392,536	8,611,126
Deposits	7,137,608	6,464,273
Prepayments	215,357	625,988
Rent receivable	473,988	6,474,601
Guarantees & performance bonds	160,000	160,000
Other sundry debtors	4,421,148	5,929,076
	57,129,288	55,294,779

16. (a) ALLOWANCE FOR IMPAIRMENT LOSSES MOVEMENT

	2012	2011
Allowance at the beginning of the year	(12,311,611)	(12,311,611)
Recoveries during the year	399,438	-
Allowance at the end of the year	(11,912,173)	(12,311,611)

17. DEPOSITS WITH FINANCIAL INSTITUTIONS

	2012 KShs	2011 KShs
Commercial Bank of Africa Limited	2,312,906	4,337,564
Habib Bank Limited	6,000,000	1,000,000
Bank of Africa	17,914,746	21,410,869
NIC Bank Limited	13,855,510	11,988,654
Ecobank Limited	-	5,129,163
	40,083,162	43,866,250
Maturing as:-		
Maturing within 91 days	36,770,256	38,146,120
Maturing after 91 days but less than one year	3,312,906	5,720,130
	40,083,162	43,866,250

These relate to investments in fixed and call deposits. The weighted average effective interest rate on deposits with financial institutions was 14.78% (2011: 6.65%).

18. SHARE CAPITAL

	2012 KShs	2011 KShs
Authorised:-		
1,500,000 (2011: 1,500,000) ordinary shares of KShs 100 each	150,000,000	150,000,000
Issued and fully paid:-		
1,500,000 (2011: 1,500,000) ordinary shares of KShs 100 each	150,000,000	150,000,000

The weighted average number of shares in issue during the year was 1,500,000 (2011: 1,500,000).

19. RETAINED EARNINGS

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Company.

20. 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 section 46(5) of the Insurance Act. Transfers from this fund are made upon recommendation of the actuary. The movement has been shown on page 14.

21. INSURANCE CONTRACT LIABILITIES

	2012 KShs	2011 KShs
As at 1 January	346,242,630	286,345,888
Transfer from statutory fund	2,484,554	-
Change in actuarial value of policyholders liabilities	71,794,982	59,896,742
Life fund at 31 December	420,522,166	346,242,630

An actuarial valuation of the long term insurance business fund was carried out by the Company's consulting actuary as at 31 December 2012. The actuarial valuation revealed an actuarial surplus of KShs 114,299,282 (2011: KShs 113,975,809). The actuary recommended a transfer to income statement of KShs 31,519,641 (2011: KShs 30,000,000). The surplus not appropriated by the actuary at the end of the financial year reduced by KShs 2,484,554 (2011: increased by Kshs 9,306,739).

22. PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

	2012 KShs	2011 KShs
Balance at start of the year	18,269,694	14,444,796
Deposits received during the year	6,096,538	5,160,636
Benefits paid	(1,476,222)	(1,996,860)
Deposit administration expenses	(145,415)	(119,451)
Interest declared	2,531,419	780,573
Balance at end of the year	25,276,014	18,269,694

Deposit administration contracts are recorded at amortised cost. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the client accounts at a weighted average rate of 13% for the year (2011: 5%). 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.

23. PAYABLE UNDER UNIT LINKED PRODUCTS

	2012 KShs	2011 KShs
Balance at start of the year	56,852,662	70,647,269
Received during the year	34,851,387	5,696,856
Withdrawals during the year	(77,380,342)	(22,829,905)
Interest declared	862,805	3,338,442
Balance at end of the year	15,186,512	56,852,662

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 (2011: 4%).

24. OUTSTANDING CLAIMS

	2012 KShs	2011 KShs
Ordinary life	69,563,538	42,726,379
Group life	13,761,091	32,131,915
Medical	18,231,773	23,585,238
General business (run off)	6,251,250	6,251,250
Outstanding	107,807,652	104,694,782
Provision for Incurred but not Reported	29,956,610	-
Total outstanding claims	137,764,262	104,694,782
MOVEMENT IN OUTSTANDING CLAIMS		
At start of the year	104,694,782	109,653,298
Claims intimated during the year	611,593,699	323,040,374
Claims paid during the year	(578,524,219)	(327,998,890)
At end of the year	137,764,262	104,694,782

The balance at year end represents intimated amounts remaining unsettled as at year end. The amounts payable do not carry interest and are due within period ranging from 30 days to 180 days.

25. TERM LOAN

	2012 KShs	2011 KShs
At start of the year	2,572,805	3,811,616
Loans repaid during the year	(1,399,682)	(1,238,811)
At end of the year	1,173,123	2,572,805
Disaggregated as:-		
Long term portion	-	1,396,217
Short term portion	1,173,123	1,176,588

The term loan is from Commercial Bank of Africa. This is a KShs 4.2 million asset finance facility advanced in July 2011 to finance the purchase of a motor vehicle, repayable over a period of 3 years at an interest rate of 15% (Base rate 14% +1%) p.a.

The loan facility is secured by:-

a)Motor vehicle log book registered in the joint names of Pioneer Assurance Company Limited and the Bank.
b)Two directors' personal guarantees of KShs 4 million each.

26. PAYABLE UNDER REINSURANCE CONTRACTS

	2012 KShs	2011 KShs
Life	15,835,440	7,383,032
Motor Pool	33,929	975,396
	15,869,369	8,358,428

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

27. OTHER PAYABLES

	2012 KShs	2011 KShs
Commission payable	3,467,999	14,200,218
Commission on dormant agents	11,996,806	16,238,642
Agents bonds	4,272,600	3,673,200
Accrued expenses	6,659,070	3,348,079
Provision for gratuity (note 27.1)	8,177,640	8,177,640
Provision for accrued leave (note 27.1)	4,739,737	3,768,164
Other sundry creditors	9,579,526	8,645,550
	48,893,378	58,051,493

The carrying amounts disclosed above reasonably approximate fair value at statement of financial position 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.

27.1 PROVISIONS FOR LIABILITIES AND CHARGES

	Gratuity KShs	Accrued leave KShs	Total KShs
At 1 January 2012	8,177,640	3,768,164	11,945,804
Additional provisions	-	971,573	971,573
Paid during the year	-	-	-
At 31 December 2012	8,177,640	4,739,737	12,917,377
At 1 January 2011	8,177,640	3,630,174	11,807,814
Additional provisions	-	137,990	137,990
Paid during the year	-	-	-
At 31 December 2011	8,177,640	3,768,164	11,945,804

Provisions for long service awards and annual leave are based on services rendered by employees up to 31 December 2012. The balances have been included in other payables in note 27 above.

28. UNEARNED PREMIUM RESERVE

	2012 KShs	2011 KShs
At start of the year	123,342,383	70,099,208
Provisions for the year/ (release of reserves)	(120,335,351)	53,243,176
At end of the year	3,007,032	123,342,384

This provision represents the liability for health business contracts where the Company's obligations are not expired as at the year end. Movement in the provision is as shown above.

29. TAXATION

	2012 KShs	2011 KShs
(a) Statement of financial position		
Balance brought forward	2,072,205	556,139
Charge for the year	9,455,892	8,897,888
Paid during the year	(12,114,400)	(7,381,822)
Tax (recoverable) payable	(586,303)	2,072,205
(b) Statement of comprehensive income/Income tax expense		
Current tax at 30 % (2011 – 30 %)	9,455,892	8,897,888
Reconciliation of taxation expense to tax based on accounting profit:-		
Accounting profit before tax	41,048,032	38,696,926
Tax applicable rate of 30% (2011 - 30%)	12,314,410	11,609,078
Tax effect on items not deducted/allowable for tax	(2,858,518)	(2,711,190)
	9,455,892	8,897,888

30. PREMIUM INCOME

	2012 KShs	2011 KShs
(a) Gross earned premiums		
Ordinary life	482,102,291	374,012,620
Group life	414,210,285	133,984,908
Medical	27,316,271	251,265,273
Gross Written Premiums	923,628,847	759,262,801
Change in unearned premiums provision	120,335,350	(53,243,176)
	1,043,964,197	706,019,625
(b) Premiums ceded to reinsurers		
Ordinary life	(279,698)	(730,201)
Group life	(113,508,425)	(55,839,238)
Medical	13,388,569	(17,588,569)
Reinsurance share of Change in unearned premiums provision	(8,423,474)	(4,764,307)
	(108,823,028)	(78,922,315)
Net earned premiums	935,141,169	627,097,310

The unearned premium reserve shown above relates to medical business.

31. INVESTMENT INCOME

	2012 KShs	2011 KShs
Interest on policy loans	10,785,502	5,595,851
Policy processing fee	10,096,750	9,537,250
Interest on treasury bills and bonds	18,736,350	14,915,334
Interest on fixed deposits	14,250,659	3,328,110
Gain /(Loss) on revaluation of quoted shares	397,931	(5,117,076)
Gain /(Loss) on revaluation of unit linked products	1,455,506	(943,754)
Realised gain on quoted investments	6,741,761	1,452,780
Investment expenses	(531,195)	(416,738)
Rental income from investment property	6,753,992	6,876,865
Investment property expenses	(2,895,667)	(2,559,950)
Other investment income	1,425,065	2,479,364
Gain on revaluation	45,000,000	42,808,600
	112,216,654	77,956,636

32. COMMISSION INCOME

	2012 KShs	2011 KShs
Ordinary life	59,573	392,474
Group life	12,346,966	10,670,147
	12,406,539	11,062,621

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

33. OTHER INCOME

	2012 KShs	2011 KShs
Share of income / (loss) – Kenya Motor Pool	2,084,312	(796,107)
	2,084,312	(796,107)

34. CLAIMS AND POLICYHOLDERS BENEFITS EXPENSE

	2012	2011
Death	223,592,587	82,317,599
Maturities	179,698,356	120,904,211
Surrenders	4,442,134	2,465,529
Personal accident	141,316	68,496
Withdrawals	2,534,440	1,320,222
Medical	199,502,003	182,822,413
Change in actuarial value of policyholder liabilities	71,794,982	59,896,742
Interest declared on investment products	3,433,709	4,119,015
Gross claims and policy holder benefits payable	685,139,527	453,914,227
Recoverable under reinsurance contracts	(35,432,523)	(68,302,084)
Net claims and policyholder benefits payable	649,707,004	385,612,143

35. OPERATING AND OTHER EXPENSES

	2012 KShs	2011 KShs
Administration and operating expenses	142,725,271	125,601,355
Selling and distribution expenses	28,360,527	17,446,076
Finance cost	2,732,630	2,865,516
Bad debts provision and charges	29,963,013	(991,993)
Depreciation	4,144,772	3,807,619
Amortisation	746,161	684,478
	208,672,374	149,413,051

36. COMMISSION EXPENSE

	2012	2011
Ordinary life	114,409,178	108,066,732
Group life	28,349,329	10,936,240
Medical	5,856,034	21,714,704
Micro –Insurance	13,806,723	880,664
	162,421,264	141,598,340

37. PROFIT BEFORE TAX

The following items have been charged in arriving at profit before tax and the increase in the Life Fund:

	2012 KShs	2011 KShs
Depreciation	4,144,772	3,807,619
Amortisation	746,161	684,478
Staff costs (note 38)	84,606,353	68,343,060
Auditors' remuneration	2,000,000	1,815,000
Interest	525,837	471,571
Loss on revaluation of quoted shares	-	3,664,296
Loss on revaluation of unit linked investments	-	943,574
Directors' emoluments:		
-Fees	3,721,426	3,707,141
-Other remuneration	10,400,000	8,232,000
And after crediting:		
Gain on revaluation of quoted shares	397,931	-
Gain on disposal	10,740	776,442
Gain on revaluation of unit linked investments	1,455,506	-

38. STAFF COSTS

Staff costs include the following:		
- Salaries and wages	67,058,872	56,157,784
- National social security benefit costs	160,400	199,000
- Retirement benefit costs	2,975,521	2,415,817
- Others	14,411,560	9,570,459
	84,606,353	68,343,060

The number of staff as at year end was 72 (2011: 72).

39. EARNINGS PER SHARE

	2012 KShs	2011 KShs
Total number of shares in issue during the year	1,500,000	1,500,000
Weighted average number of shares in issue during the year	1,500,000	1,500,000
Profit after tax	31,592,140	29,799,038
Basic earnings per share	21.06	19.87
Diluted earnings per share	21.06	19.87

There have been no other transactions involving ordinary shares between the reporting date and date of completion of these financial statements.

40. CASH AND CASH EQUIVALENTS

For purposes of the cash flow statement, cash and cash equivalents comprise the following balance sheet amounts:

	2012 KShs	2011 KShs
Bank and cash balances	12,606,760	16,165,518
Deposits with financial institutions (maturing within 91 days)	36,770,256	38,146,120
	49,377,016	54,311,638

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company.

41. 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.

i) Amounts due from related parties	2012 KShs	2011 KShs
Key management staff personnel loans	9,649,895	8,268,116
Softline Limited	473,988	6,474,601

Amount due from Softline Limited, a shareholder, relates to rent collected on behalf of the Company by Softline Limited from its rental property. Key management personnel of the Company include directors (executive and non-executives) and Senior management.

ii) Key management personnel compensation	2012 KShs	2011 KShs
Salaries and other short-term employment benefits	33,934,025	26,982,000
Post-employment benefits	1,564,850	1,370,700
	35,498,875	28,352,700

iii) Directors' remuneration		
Fees	3,721,426	3,707,141
Other remuneration (included in key management compensation above)	10,400,000	8,232,000
	14,121,426	11,939,141

42. CAPITAL COMMITMENTS

i) Capital: Authorised and contracted for	13,000,000	12,000,000
ii) Capital: Authorised and not contracted for	11,675,820	11,721,704

Capital commitments include KShs 5.8 million which will be spent to acquire computers and office equipment and KShs 5.8 million will be spent on partitioning of offices and purchasing of furniture.

OPERATING LEASE COMMITMENTS

The Company has entered into lease agreements to pay rent for the premises that it occupies. Distribution of future lease commitment is as shown below

	2012 KShs	2011 KShs
Within one year	12,354,303	9,733,692
After one year but not more than five years	38,226,998	44,051,100
More than five years	97,341	12,422,932
	50,678,642	66,207,724

The Company has entered into lease agreements with its tenants. Distribution of future lease commitment is as shown below

Within one year	8,304,000	8,304,000
After one year but not more than five years	35,748,720	34,897,560
More than five years	-	9,155,160
	44,052,720	52,356,720

43. CONTINGENCIES

(i)The company is involved in arbitration with Kenyatta University, a former client to recover unpaid premiums of KShs 8.9 million. Recoverability of the full amount is dependent on the ruling of the arbitrator who was appointed by the chairman law society of Kenya. As per the contract the verdict of the arbitrator is final and binding on both parties. This matter has not been finalized and there were hearings in 2012, Kenyatta University changed their advocates and the hearings started afresh in 2012 after they filed a counter claim of KShs 3.6 million. The advocate expects to conclude the matter in 2013. A provision to cater for the counter claim has been made in these financial statements.

(ii)Due to the nature of the business the company is involved in some litigation which have been fully provided for in the financial statements, the provision for such litigation is included in the claims and policy owner benefits payable.

44. DEFERRED TAX

A deferred tax asset estimated at KShs 3,238,008 (2011 – KShs 3,306,733) has not been recognized in these financial statements as the directors are of the opinion that it will not be realised in the foreseeable future.

45. INCORPORATION

The Company is incorporated in Kenya under the Companies Act.

46. CURRENCY

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

LONG TERM INSURANCE BUSINESS REVENUE ACCOUNT
For the Year Ended 31 December 2012

APPENDIX I – LONG TERM INSURANCE BUSINESS REVENUE ACCOUNT

	Life business KShs	Medical business KShs	2012 Total KShs
Gross written premium	896,312,576	27,316,271	923,628,847
Unearned premiums	-	120,335,350	120,335,350
Gross earned premium	896,312,576	147,651,621	1,043,964,197
Premium ceded to reinsurers	(122,211,597)	13,388,569	(108,823,028)
Net earned premiums	774,100,979	161,040,190	935,141,169
Investment and other income	52,964,957	59,251,697	112,216,654
Commissions earned	12,406,539	-	12,406,539
Total income	839,472,475	220,291,887	1,059,764,362
Life and health claims	(220,644,297)	(199,502,003)	(420,146,300)
Surrenders	(4,442,134)	-	(4,442,134)
Annuity payments	(185,322,402)	-	(185,322,402)
Change in actuarial value of policyholder benefits	(71,794,982)	-	(71,794,982)
Interest declared under investment contracts	(3,433,709)	-	(3,433,709)
Recoverable under reinsurance contracts	35,432,523	-	35,432,523
Net claims and policyholder benefits payable	(450,205,001)	(199,502,003)	(649,707,004)
Operating and other expenses	(201,006,995)	(7,665,379)	(208,672,374)
Commissions payable	(156,740,838)	(5,680,426)	(162,421,264)
Total policy owner benefits and expenses	(807,952,834)	(212,847,808)	(1,020,800,642)
Profit before income tax	31,519,641	7,444,079	38,963,720
Income tax expense	(9,455,892)	-	(9,455,892)
Profit after tax	22,063,749	7,444,079	29,507,828

APPENDIX I – LONG TERM INSURANCE BUSINESS REVENUE ACCOUNT (continued)

	Life business KShs	Medical business KShs	2011 Total KShs
Gross written premium	507,997,528	251,265,273	759,262,801
Unearned premiums	-	(53,243,176)	(53,243,176)
Gross earned premium	507,997,528	198,022,097	706,019,625
Premium ceded to reinsurers	(56,569,439)	(22,352,876)	(78,922,315)
Net earned premiums	451,428,089	175,669,221	627,097,310
Investment and other income	31,785,051	46,171,585	77,956,636
Commissions earned	11,062,621	-	11,062,621
Total income	494,275,761	221,840,806	716,116,567
Life and health claims	(82,386,095)	(182,822,413)	(265,208,508)
Surrenders	(3,785,751)	-	(3,785,751)
Annuity payments	(120,904,211)	-	(120,904,211)
Change in actuarial value of policyholder benefits	(59,896,742)	-	(59,896,742)
Interest declared under investment contracts	(4,119,015)	-	(4,119,015)
Recoverable under reinsurance contracts	68,302,084	-	68,302,084
Net claims and policyholder benefits payable	(202,789,730)	(182,822,413)	(385,612,143)
Operating and other expenses	(129,688,286)	(19,724,765)	(149,413,051)
Commissions payable	(122,437,006)	(19,161,334)	(141,598,340)
Total policy owner benefits and expenses	(454,915,022)	(221,708,512)	(676,623,534)
Profit before income tax	39,360,739	132,294	39,493,033
Income tax expense	(9,000,000)	102,112	(8,897,888)
Profit after tax	30,360,739	234,406	30,595,145

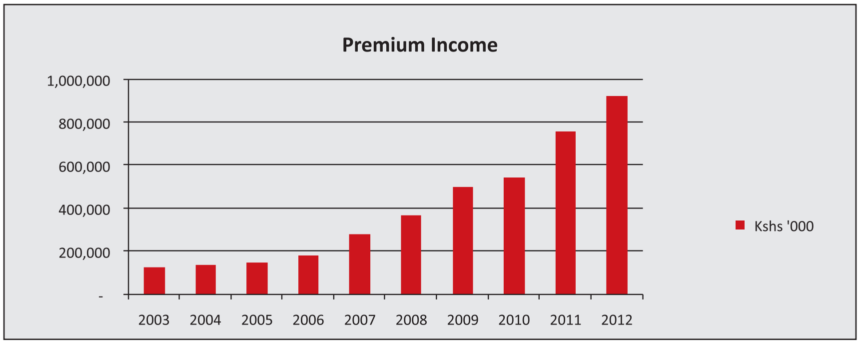
GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

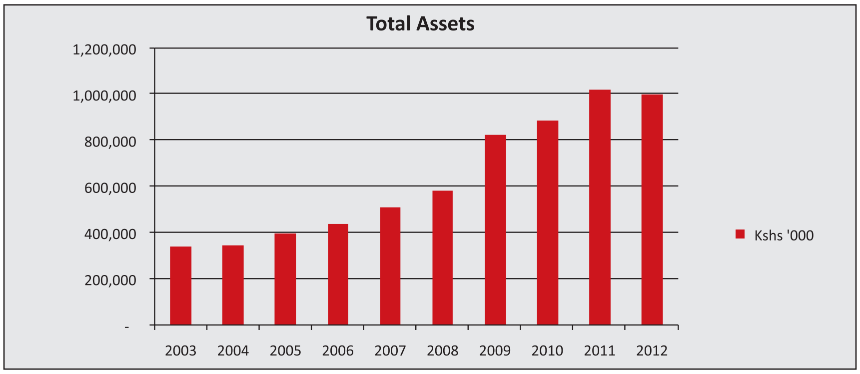
For the Year Ended 31 December 2012

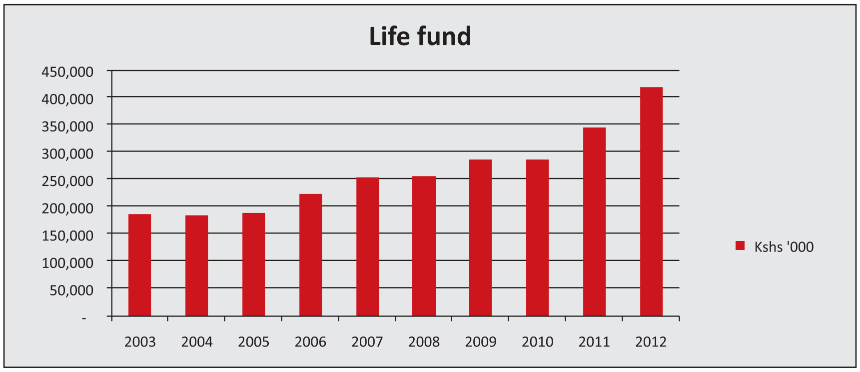
APPENDIX II – GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

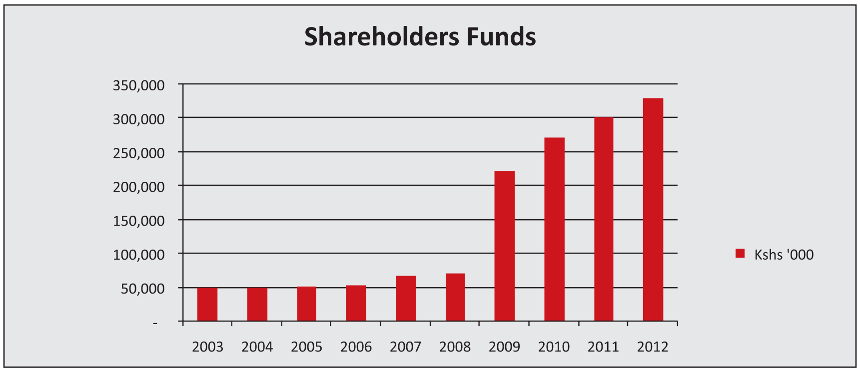
Class of insurance Business	Fire KShs	Motor Private KShs	Motor Commercial KShs	Workmen's Compensation KShs	Theft KShs	Miscellaneous KShs	31.12.2012 Total KShs	31.12.2011 Total KShs
Net premium written	-	-	-	-	-	-	-	-
Unearned premiums b/f	-	-	-	-	-	-	-	-
Unearned premiums c/f	-	-	-	-	-	-	-	-
Net earned premiums	-	-	-	-	-	-	-	-
Claims paid	-	-	-	-	-	-	-	-
Claims outstanding c/f	-	2,515,000	3,736,250	-	-	-	6,251,250	6,251,250
Claims outstanding b/f	-	(2,515,000)	(3,736,250)	-	-	-	(6,251,250)	(6,251,250)
Claims incurred	-	-	-	-	-	-	-	-
Expenses of management	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	-	-
Underwriting (loss)/ profit	-	-	-	-	-	-	-	-
Income not charged to any fund or account								
Share of Income from Kenya motor pool							2,084,312	(796,107)
Profit before tax							2,084,312	(796,107)

Performance Statistics









Management Team

Moses Kimani
Managing Director

Margaret Mwashimba
Human Resources & Administration Manager

Cyprian Ombogo
Head of Finance

Robert Ipomai
ICT Manager

Isaac Maina
Marketing Manager, Corporate Business

Timothy Mutua
Life Manager

Dedicated to life

"Tulijiheshimu tulipokua vijana kwa kuchukua bima ya Pension."

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.
School Fees

This is an education policy taken by a parent/guardian on his/her life for the benefit of a child. The term of policy is determined based on the age of the child. The policy provides for term of cover 10 to 18 years. The product has cash benefits paid to the assured during the life of the policy to assist in payment of school fees

On death of the life assured half the sum assured is paid and 100% in the case of accidental death. In addition, premium payment is waived and the beneficiaries receive cash benefits when they fall due thus assuring the nominated child of education. 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 accumulated invested premiums together with accrued interest are paid along with 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 until the max age 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. Age Limit is 6 months to 75 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 120 days 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.

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 the responsibilities in ensuring the full compliance of the Plan with all the 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

Branch Information

AGENCY OFFICE	PHYSICAL LOCATION	TEL NO:
BUNGOMA	Bungoma Municipality, Moi Avenue, 1st Floor.	020-2045507
ELDORET	KVDA Plaza, Oloo Street, 10th floor.	053-2030578
HOMA-BAY	Sonyaco Plaza, Bank road, 1st floor.	059-21486
KISUMU	Pioneer House, Oginga Odinga Street, 1st Floor.	020-2045505
KITALE	Mid Africa Plaza, Moi Avenue, 1st Floor.	020-2352419
MACHAKOS	Mbitini House, Mbolu Malu Road, 2nd Floor.	020-2045504
MALINDI	Malindi Complex, Lamu Road, Ground Floor.	042-2120767
MERU	Meru Mwalimu Plaza, Gakoromone Road, 2nd Floor.	020-2045508
MOMBASA	TSS Tower, Moi Avenue, 4th Floor.	020-2352323
NAIROBI 1	Finance House, Loita Street, 7th Floor.	020-2045502
NAIROBI 2	Re-insurance Plaza, Taifa Road, Podium Floor.	020-2319019
NAKURU	Vickers House, Kenyatta Avenue, 2nd Floor	020-2045506
NYERI	Wakiawa House, Kanisa Road, 2nd Floor.	020-2045509
THIKA	Thika Arcade, Kenyatta Highway, 5th Floor.	020-2045410
VOI	Maghonyi Plaza, 4th Floor.	020-2603580

Life is a commitment

"Ninaheshimu familia yangu; nimewachukulia bima ya Hazina ya kuwalinda siku za usoni."

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