OCCIDENTAL

INSURANCE COMPANY LTD

FREEING THE FUTURE.

ANNUAL REPORT & FINANCIAL STATEMENTS | 2015

Our Vision

To be the most reliable protector of wealth and health in the East African Region.

Our Mission

To bring peace of mind to our clients by providing the best insurance solutions.

Our Core Values

- **Integrity**

  We are fair and honest; we do what we say and say what we do.

- **Innovation**

  We apply our imagination and modern technology to anticipate and respond to our customers' needs.

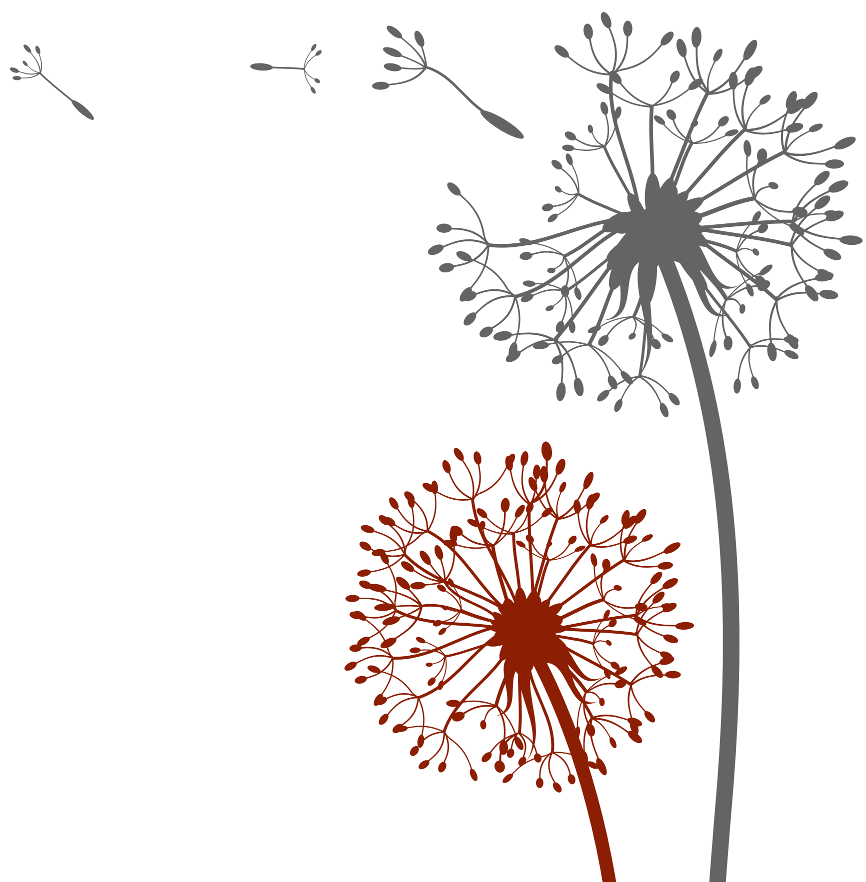
- **Empowerment**

  We create an enabling environment for our staff to serve our customers exceptionally well.

- **Customer Focus**

  All our products, business processes and relationships are engineered to yield maximum value for our customers.

Contents



Company Information

Board of Directors

Jimnah Mbaru - Chairman
Asok Ghosh - Managing Director
Mansukhlal Premchand Shah (Deceased on 10th January, 2016)
Maganlal Dodhia (Alternate to Archna Bulsara)
Tejal Ketul Dodhia
Mayank Patel
Karim Anjarwalla
Dipak Shah (Appointed on 29th October, 2015)
Archna Bulsara (Appointed on 9th February, 2016)
Fukunda Mbaru (Appointed on 9th February, 2016)

Registered Office

Plot No. L.R. 1870/III/420,
School Lane, Westlands,
P.O. Box 66249, 00800.
Nairobi.

Principal Place of Business

Crescent Business Centre 7th Floor,
Parklands Road, Parklands,
P.O. Box 39459, 00623.
Nairobi.

Independent Auditor

PKF Kenya, Certified Public Accountants,
P. O. Box 14077, 00800.
Nairobi.

Company Secretary

Sabre Registrars, Certified Public Secretaries.
P.O. Box 66249, 00800.
Nairobi.

Principal Bankers

Guaranty Trust Bank (Kenya) Limited. Nairobi.
Diamond Trust Bank Kenya Limited. Nairobi.
Kenya Commercial Bank Limited. Nairobi.
CFC Stanbic Bank Limited. Nairobi.

Chairman's Statement

For the Year 2015

It is my pleasure to present to you the 28th Annual Report and Financial Statements for the year ended 31st December, 2015.

The economy is estimated to have grown at between 5.0%-5.5% compared to 5.7% in 2014. The growth in 2015 was supported by robust growth in agriculture, construction, financial activities, trade and transportation sectors. Lower oil prices had a positive impact on GDP growth, inflation and the currency. The lower oil prices supported the currency by reducing the import bill. Oil imports accounted for approximately 30% of Kenya's import bill at the previous higher global oil prices and have since contracted to account for 16% of Kenya's import bill. The 2016 economic growth is expected to be positive on account of continuation of infrastructure projects, recovery of the tourism sector, increased output from the manufacturing sector as it enjoys lower power costs and stronger agricultural output.

The Kenyan Shilling lost 12.9% in value against the US dollar due to strengthening of the dollar in real terms, rising import demand for infrastructure projects and capital outflows from frontier markets investors' risk aversion. A higher amount of forex reserves at 4.6 months of import cover and a tightening monetary policy especially in the 4th quarter of 2015 that saw Treasury Bills touch a high of 22% stabilized the Kenyan Shilling.

The overall inflation remained fairly stable in 2015, averaging at 6.6% and increased to 8.01% in December, 2015 from an average of 6.7% in 2014 (6.02% in December, 2014). The increase was partly due to the implementation of the new Excise Bill in December, 2015 but was stabilized by lower oil and electricity prices experienced towards the end of 2015.

The Insurance Industry recorded gross written premium of Kshs 157.21 Billion in 2014 compared to Kshs 130.65 Billion in 2013. The industry recorded a profit of Kshs 15.46 Billion before tax in 2014 compared to Kshs 17.79 Billion in 2013. The overall insurance penetration in 2014 was 2.93% compared to 3.44% in 2013. The decrease in penetration was due to the rebasing of GDP in 2014. The figures for 2015 are not yet out.

During the year under review the company achieved an increase of 3.49% in gross premium of Kshs 1.907 Billion up from Kshs 1.843 Billion in 2014 despite various challenges. The asset base of the company has grown from Kshs 2.5 Billion to Kshs 2.7 Billion, say 5.5% increase. The company continues to post good results with an underwriting profit of Kshs 157 Million during the year against Kshs 101 Million in 2014, registering an increase of 54.63%.The overall profit before tax currently stands at Kshs 297 Million as against w 289 Million in the previous year an increase of 2.86%.

The Board and Senior Management Team carried out a Strategic Plan Retreat at the beginning of the year to chart the road ahead for the next 5 years. I am confident that the company shall achieve various milestones while pursuing the Strategic Plan.

Training and development of human resource continues to be a priority in our activities. During the year, we did carry out various trainings at all levels of staff to enhance skill and professionalism including team building workshop for all staff members. These training programs have covered all aspects of our business and will continue in future.

Our sports team did well in last year's AKI sports. There have been few notable individuals performance too. We congratulate all members who participated in the event and wish them success in future.

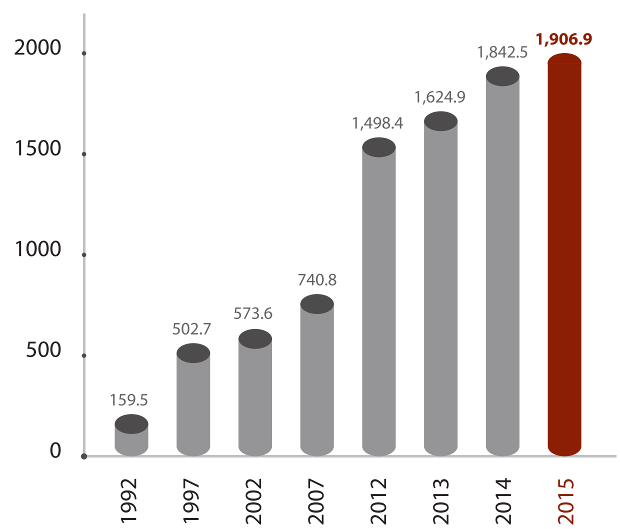
In regard to our corporate social responsibility, we have donated to various bodies including Her Excellency The First Lady's Beyond Zero Campaign for the early maternal childhood deaths. We participated in the AKI medical camp in Kirinyaga. We have also sponsored education through construction of classrooms, donation of wheelchairs and crutches, textbooks, stationeries and other food items, provision of tents to women and youth groups among others. These have gone to various schools like Waita School for the Disabled, Christcare Children's Home - Ololoitikoshi, Kiserian, Ndovea Small Home for the Disabled, St. Francis of Asis, Ruaka, Kwandiu Primary School, Rotary Club Peponi and a water tank to Katunyoni Community School in Makueni. May God bless them.

Finally, I wish to extend my sincere appreciation to the Board of Directors for their wise counsel, Employees for their dedication throughout the year, Intermediaries and Customers for their continued support. I also thank the Insurance Regulatory Authority for their support and guidance and expect the same in future while assuring them of our commitment to the industry's development in all respects.

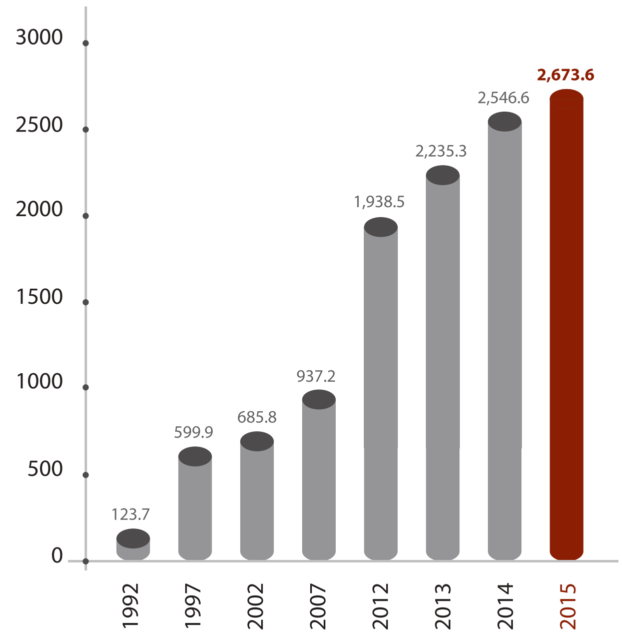
Jimnah M. Mbaru
Chairman

Financial Highlights

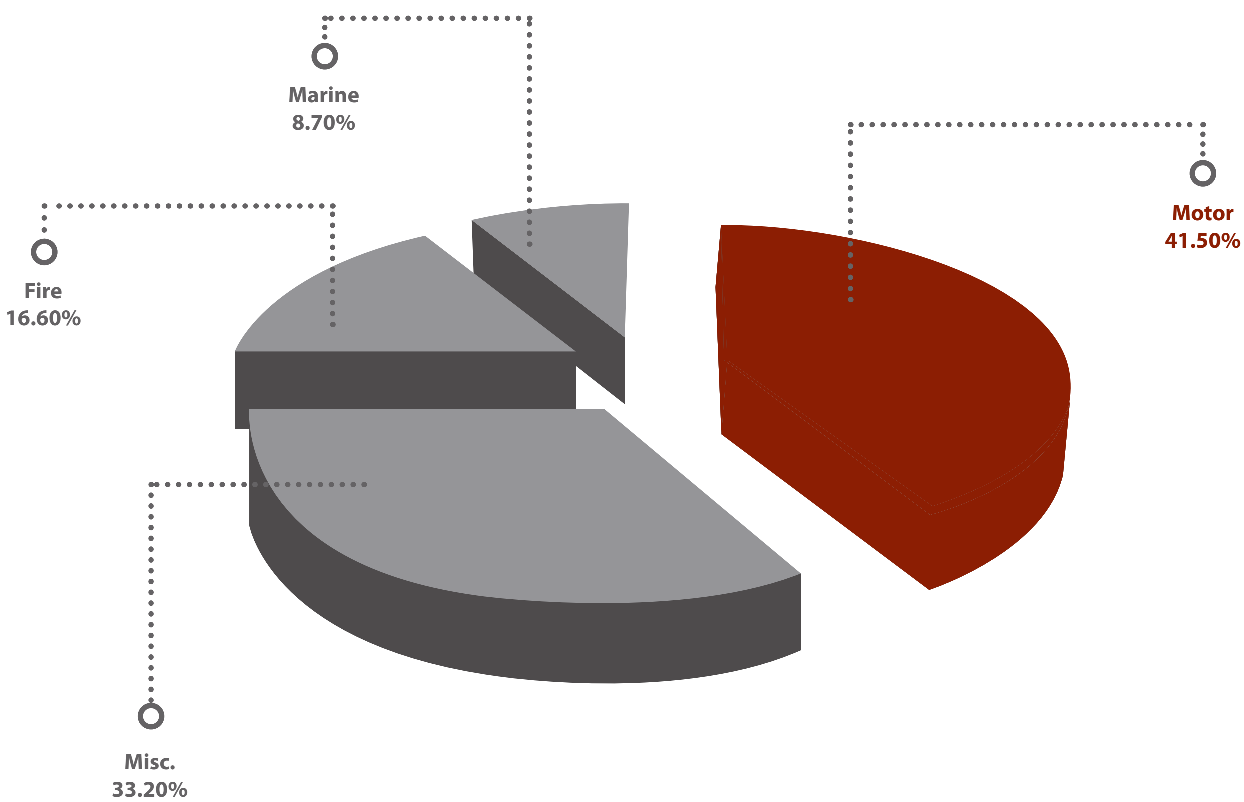
Gross Premium Written (Millions)



Total Assets (Millions)



Classwise Premium 2015



Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st December, 2015 which disclose the state of affairs of the company.

Principal Activities

The company conducts all classes of general insurance business as defined by the Insurance Act, with the exception of aviation, bond investments and industrial life.

Results and Dividend

Profit for the year of Shs. 207,564,075 (2014: Shs. 243,695,156) has been added to retained earnings. The directors propose a final dividend of Shs. 40,194,000 (2014: Shs. 45,045,000) for the year.

Share Capital

The authorised share capital of the company was increased on 21st May, 2015 from Shs. 500,000,000 representing 500,000 ordinary shares of Shs. 1,000 each to Shs. 1,000,000,000 representing 1,000,000 ordinary shares of Shs. 1,000 each.

The issued and paid up share capital of the company was increased on 14th July, 2015 from Shs. 346,500,000 to Shs. 693,000,000 by the issuance of 346,500 ordinary shares of Shs. 1,000 each.

Directors

The directors who held office during the year and to the date of this report are shown on page 4.

In accordance with the company's Articles of Association, no directors are due for retirement by rotation.

Independent Auditor

The company's auditor, PKF Kenya, has indicated willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

By Order of the Board

Sabre Registrars
Secretary
Nairobi.

Date: 30th March, 2016

Statement of Directors' Responsibilities

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

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

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

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31st December, 2015 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Approved by the board of directors on 10th March, 2016 signed on its behalf by:

Jimnah M. Mbaru
Director

Tejal K. Dodhia
Director

Report of the Independent Auditor to the Members of Occidental Insurance Company Limited

We have audited the accompanying financial statements of Occidental Insurance Company Limited set out on pages 10 to 38 which comprise the statement of financial position as at 31st December, 2015, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Occidental Insurance Company Limited as at 31st December, 2015 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 profit or loss and other comprehensive income are in agreement with the books of account.

Certified Public Accountants.
Nairobi.
30th March, 2016.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Jalpesh Shah - P/No. 1219.

Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31st December 2015

	Notes	2015 Shs	2014 Shs
Gross written premium		1,906,947,436	1,842,523,440
Gross earned premiums	5	1,856,942,509	1,792,678,938
Less: reinsurance premium ceded		(610,934,480)	(616,386,980)
Net earned premiums		**1,246,008,029**	**1,176,291,958**
Investment and other income	6	180,470,799	222,446,113
Commissions earned		169,027,641	175,061,125
Net income		**1,595,506,469**	**1,573,799,196**
Claims payable	7	1,133,384,822	1,252,455,232
Less: amounts recoverable from reinsurers		(412,452,289)	(499,827,289)
Net claims payable		**720,932,533**	**752,627,943**
Expenses	8	(283,507,282)	(244,671,417)
Commissions payable		(293,159,711)	(286,900,043)
Profit before tax		**297,906,943**	**289,599,793**
(Loss)/gain on revaluation of investment properties	14	-	22,000,000
Tax	10	(90,342,868)	(67,904,637)
Profit for the year		**207,564,075**	**243,695,156**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of quoted shares	20(a)	(17,109,322)	1,339,823
Deferred income tax relating to components of other comprehensive income	21	-	(401,947)
Total other comprehensive income		**(17,109,322)**	**937,876**
Total comprehensive income for the year attributable to shareholders of the company		**190,454,753**	**244,633,032**
Earnings per share	28	**274.83**	**703.30**
Final dividend proposed for the year	30	**40,194,000**	**45,045,000**

The notes on pages 14 to 38 form an integral part of these financial statements. Report of the independent auditor - pages 9.

Statement of Financial Position

As At 31st December 2015

	Notes	2015 Shs	2014 Shs
Capital employed			
Share capital	11	693,000,000	346,500,000
Retained earnings	12	278,594,009	487,723,934
Revaluation reserve		1,506,305	18,213,680
Proposed dividend	29	40,194,000	45,045,000
Shareholders' funds		**1,013,294,314**	**897,482,614**
Represented by:			
Assets			
Vehicles and equipment	13	29,049,066	27,175,287
Investment properties	14	441,682,928	440,000,000
Intangible assets	15	29,319,970	29,024,469
Kenya Motor Insurance Pool	16	11,687,053	11,702,369
Reinsurers' share of insurance contract liabilities	17	93,620,807	124,159,703
Other receivables and prepayments	18	25,824,879	17,082,407
Government securities - 'Held to maturity'	19(a)	650,592,994	640,758,475
Commercial paper	19(b)	14,863,921	18,573,673
Equity investments 'Available-for-sale':-			
- quoted investments	20(a)	111,234,023	128,307,202
- unquoted investments	20(b)	100,824,875	100,824,875
Receivables arising out of reinsurance arrangements		171,956,755	179,926,393
Receivables arising out of direct insurance arrangements		452,520,699	351,217,757
Deferred tax	21	-	6,155,418
Deposits with financial institutions	22	495,477,401	394,706,745
Cash and cash equivalents	22	44,990,056	76,573,259
Total assets		**2,673,645,427**	**2,546,188,032**
Liabilities			
Deferred tax	21	1,044,399	-
Current tax		12,717,119	9,340,615
Insurance contract liabilities	23	850,234,047	850,681,507
Unearned premium reserve	24	560,136,802	510,131,875
Creditors arising from reinsurance arrangements		147,872,634	192,688,820
Other payables	25	88,346,112	85,862,601
Total liabilities		**1,660,351,113**	**1,648,705,418**
Net assets		**1,013,294,314**	**897,482,614**

The financial statements on pages 10 to 38 were authorised and approved for issue by the Board of Directors on 10th March, 2016 and were signed on its behalf by:

Jimnah M. Mbaru
Director

Tejal K. Dodhia
Director

Asok Ghosh
Principal Officer/ Managing Director

The notes on pages 14 to 38 form an integral part of these financial statements. Report of the independent auditor - page 9.

Statement of Changes in Equity

For The Year Ended 31st December 2015

Year ended 31st December 2014	Notes	Share capital Shs	Retained earnings Shs	Revaluation surplus Shs	Proposed dividends Shs	Total Shs
At start of year		346,500,000	323,723,778	17,275,804	51,975,000	739,474,582
Comprehensive income:						
Profit for the year		-	243,695,156	-	-	243,695,156
Other comprehensive income:						
Change in fair value of 'Available-for- sale' investments	20(a)	-	-	1,339,823	-	1,339,823
Deferred income tax relating to components of other comprehensive income	21	-	-	(401,947)	-	(401,947)
Total comprehensive income for the year		**-**	**243,695,156**	**937,876**	**-**	**244,633,032**
Transaction with owners						
Dividends:						
- interim 2014 and Final for 2013 paid	30	-	-	-	(86,625,000)	(86,625,000)
- proposed and paid Interim for 2014		-	(34,650,000)	-	34,650,000	-
- proposed and final for 2014	30	-	(45,045,000)	-	45,045,000	-
Total transaction with owners		**-**	**(79,695,000)**	**-**	**(6,930,000)**	**(86,625,000)**
At end of year		**346,500,000**	**487,723,934**	**18,213,680**	**45,045,000**	**897,482,614**
Year ended 31st December 2015						
At start of year		346,500,000	487,723,934	18,213,680	45,045,000	897,482,614
Comprehensive income:						
Profit for the year		-	207,564,075	-	-	207,564,075
Other comprehensive income:						
Change in fair value of 'Available-for- sale' investments	20(a)	-	-	(17,109,322)	-	(17,109,322)
Deferred income tax relating to components of other comprehensive income	21	-	-	401,947	-	401,947
Total comprehensive income for the year		**-**	**207,564,075**	**(16,707,375)**	**-**	**190,856,700**
Transaction with owners						
Issue of bonus shares		346,500,000	(346,500,000)	-	-	-
Dividends:						
- interim 2015 and Final for 2014 paid	30	-	-	-	(75,045,000)	(75,045,000)
- proposed and paid Interim for 2015	30	-	(30,000,000)	-	30,000,000	-
- proposed and final for 2015	30	-	(40,194,000)	-	40,194,000	-
Total transaction with owners		**346,500,000**	**(416,694,000)**	**-**	**(4,851,000)**	**(75,045,000)**
At end of year		**693,000,000**	**278,594,009**	**1,506,305**	**40,194,000**	**1,013,294,314**

The notes on pages 14 to 38 form an integral part of these financial statements. Report of the independent auditor - page 9.

Statement of Cash Flows

As At 31st December 2015

	Notes	2015 Shs	2014 Shs
Operating activities			
Cash from operations	26	92,633,369	250,794,839
Tax paid		(79,364,600)	(58,214,139)
Net cash from operations		**13,268,769**	**192,580,700**
Investing activities			
Net movement in government securities	19(a)	(9,834,519)	1,498,824
Interest received from current bank accounts	6	1,611,931	1,492,605
Interest income from fixed deposits	6	52,425,909	27,675,704
Interest income from Held-to-Maturity investments	6	76,640,767	74,140,674
Share of (loss)/profit from Kenya Motor Insurance Pool	6	(31,377)	885,460
Proceeds from disposal of vehicles and equipment		111,000	404,235
Proceeds from disposal of quoted shares	20(b)	-	1,130
Proceeds from disposal of shares in associate		-	200,000,000
Purchase of vehicles and equipment	13	(11,655,207)	(5,107,778)
Purchase of investment property	14	(1,682,928)	(18,000,000)
Purchase of intangible assets	15	(295,501)	-
Redemption of commercial papers	19(b)	3,709,752	3,714,735
Purchase of quoted shares	20(a)	(36,143)	(99,962,871)
Net cash from investing activities		**110,963,684**	**186,742,718**
Financing activities			
Dividend paid	30	(75,045,000)	(86,625,000)
Net cash (used in) financing activities		**(75,045,000)**	**(86,625,000)**
Increase in cash and cash equivalents		**49,187,453**	**292,698,418**
Movement in cash and cash equivalents			
At start of year		471,280,004	178,581,586
Increase		49,187,453	292,698,418
At end of year	22	**520,467,457**	**471,280,004**

The notes on pages 14 to 38 form an integral part of these financial statements. Report of the independent auditor - page 9.

Financial Statements

For The Year Ended 31st December 2015

Notes

1. GENERAL INFORMATION

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

Plot No. L.R. 1870/III/420, School Lane.
P.O. Box 66249, 00800.
Nairobi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Going concern

The financial performance of the company is set out in the Director's report and in the statement of profitor loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk and capital management are set out in note 4.

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

These financial statements comply with the requirements of the Kenyan Companies Act. The statement of profit or loss and statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

New and amended standards adopted by the company

No new and revised Standards and Interpretations have been adopted in the current year.

Notes (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective

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

- Amendments issued in December, 2014 to IAS 1 'Presentation of Financial Statements' which will be effective for annual accounting periods beginning on or after 1st January, 2016 clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments issued in June, 2014 to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' which will be effective for annual periods beginning on or after 1st January, 2016 define bearer plants and include them within IAS 16's scope while the produce growing on bearer plants remain within the scope of IAS 41.

- Amendments issued in May, 2014 to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets' which will be effective for annual periods beginning on or after 1st January, 2016 add guidance and clarify that the use of revenue-based methods to calculate the depreciation of of an asset is not appropriate; however, this presumption can be rebutted in certain limited circumstances.

- Amendment (Annual improvements to IFRSs 2012-2014 Cycle, issued in September, 2014) to IAS 19 'Employee Benefits' which will be effective for annual periods beginning on after 1st January, 2016, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- Amendments issued in August, 2014 to IAS 27 'Separate Financial Statements' which will be effective for annual periods beginning on or after 1st January, 2016 reinstate the equity method option to account for investments in subsidiaries, joint venture and associates in separate financial statements.

- Amendment (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September, 2014) to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' which will be effective for annual periods beginning on or after 1st January, 2016 adds specific guidance when an entity reclassifies an asset (or company) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.

- Amendment (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September, 2014) to IFRS 7 'Financial Instruments: Disclosures' which will be effective for annual periods beginning on or after 1st January, 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

- IFRS 9 'Financial Instruments'(Issued in July, 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1st January, 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.

- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

- In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is at is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

- In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract. In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

- Amendments issued in September, 2014 to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' which will be effective for annual periods beginning on or after 1st January, 2016 address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

Notes (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

- Amendments issued in December, 2014 to IFRS 10, IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 which will be effective for annual periods beginning on or after 1st January, 2016, clarify guidance the application of the consolidation exception for investment entities and their subsidiaries.

- Amendments issued in May, 2014 to IFRS 11 'Joint Arrangements' which will be effective for annual periods beginning on or after 1st January, 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 'Business Combinations') to apply all of the business combinations accounting principles and disclosures in IFRS 3 and other IFRSs, except for those principles that conflict with with guidance in IFRS 11.

- IFRS 14 'Regulatory Deferral Accounts' (issued in January, 2014) which will be effective for annual periods beginning on or after 1st January, 2016 defines a regulatory deferral account balance and allows entities continue apply their existing policy for regulatory deferral account balances, but requires certain disclosures.

- IFRS 15 'Revenue from Contracts with Customers' (issued in May, 2014) effective for annual periods beginning on or after 1st January, 2018, replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and their interpretations (SIC-31 and IFRIC 13,15 and 18).It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.

- IFRS 16 'Leases' (issued in January, 2016) effective for annual periods beginning on or after 1st January, 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

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

b) Insurance contracts

Recognition and measurement

Premium income

Premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date, and is computed using the 1/24th method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims payable

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Insurance contracts (continued)

Recognition and measurement (continued)

Commissions

Commissions payable are recognised in the period in which the related premiums are written. Commissions receivable are recognised in income in the period in which the related premiums are ceded.

Reinsurance contracts held

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. (Note 2 (g)).

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivables are impaired, the company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in the income statement. The company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. (Note 2 (e)).

Salvage and subrogation reimbursements

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

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

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

c) Other income

- Investment income is stated net of investment expenses.
- Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.
- Rental income is recognised as income in the period in which it is earned.
- Dividend income is recognised when the shareholders right to receive payment has been established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Vehicles and equipment

All vehicles and equipment are initially recorded at cost. All vehicles and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life. The vehicles and equipment are depreciated over a period of between 3 and 8 years.

Vehicles and equipment are reviewed at each reporting date for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Asset residual values and their estimated useful lives are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of vehicles and equipment are determined immediately by reference to their carrying amounts.

e) Financial assets

Classification

The company classifies its financial assets in the following categories: loans and receivables, held-to-maturity financial assets, and 'Available-for-sale' financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. 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 (a) those that the company upon initial recognition designates as available-for-sale; or (b) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. The company's loans and receivables comprise receivables arising out of reinsurance arrangements, receivables arising out of direct insurance arrangements, other receivables and prepayments and 'cash and cash equivalents' in the statement of financial position.

ii. Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Were the Company to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available-for-sale.

iii. Available-for-sale' financial assets

'Available-for-sale' investments are those non-derivative financial assets that are not classified under any of categories (i) – (ii) above and are neither classified as fair value through profit or loss.

Recognition and derecognition

Regular way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and 'Available-for-sale' are recognised on trade-date, the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus, transaction costs for all financial assets except those carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Notes (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial assets (continued)

Recognition and derecognition (continued)

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of investment income when the company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as 'Available-for-sale' are recognised in other comprehensive income.

Dividends on 'Available-for-sale' equity instruments are recognised in profit or loss when the company's right to receive payments is established. Both are included in the investment income line.

f) Investment properties

Investment properties are long-term investments in land and buildings that are not occupied substantially for own use. Investment properties are initially recognised at cost and subsequently measured at fair value representing open market value at the reporting date and is determined annually by independent external registered valuers. Changes in fair value are recorded in profit or loss.

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

g) Impairment of financial assets

Financial assets carried at amortised cost

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the company about the following loss events:

- significant financial difficulty of the issuer;
- a breach of contract, such as default or delinquency in interest or principal repayments;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group.

Assets carried at fair value

In the case of equity investments classified as 'Available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for 'Available-for-sale' financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income – is removed from equity and recognised in the profir or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as 'Available-for-sale' increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Cash and cash equivalents

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

i) Accounting for leases

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

j) Employee benefits

Retirement benefit obligations

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

The company's contributions to the defined contribution scheme and NSSF are charged to the profir or loss in the year to which they relate.

Other entitlements

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

k) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, in which case, the tax is also recognised in the statement of other comprehensive income.

Current tax

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

Deferred tax

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

l) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

m) Share capital

Ordinary shares are classified as equity.

n) Comparatives

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

Notes (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The determination of the liabilities under general insurance contracts is dependent on estimates made by the company. Estimates are made as to the expected amounts of claims of claims to be paid in future.

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

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- **Impairment of receivables** - the company reviews their portfolio of receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cashflows expected.

- **Fair value measurement and valuation process** - In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available.

- **Useful lives of vehicles and equipment** - Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

- **Held to maturity financial assets** - The directors have reviewed the company's held to maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the company's positive intention and ability to hold those assets to maturity.

Notes (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The company's activities expose it to a variety of risks, including insurance risk and financial risk (credit risk, and the effect changes in debt and equity market prices and interest rates). The company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

This section summarises the way the company manages key risks:

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.

Financial risk

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The concentration of insurance risk before and after reinsurance by territory in relation to the type of casualty insurance risk accepted with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts.

The Company is exposed to financial risk through its financial assets and financial liabilities, 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 types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk and price risks.

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

a) Market risk

i. Price risk

The company is exposed to equity securities price risk because of investments in quoted securities classified as 'Available-for-sale'. The company is not exposed to commodity price risk. To manage its price risk arising from investments in equity the company diversifies its portfolio on several counters. Diversification of the portfolio is done in accordance with limits set by the company and guidelines per the Insurance Act. All quoted shares held by the company are traded on the Nairobi Securities Exchange (NSE).

Notes (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Financial risk (continued)

a) Market risk (continued)

i. Price risk (continued)

The table below summarises the impact of increases/decreases of the NSE on the company's post-tax profit for the year. The analysis is based on the assumption that the equity indexes had increased by 5% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the index:

Impact on other comprehensive	2015 Shs	2014 Shs
Index		
Increase	3,893,191	4,490,752

ii. Cash flow and fair value interest rate risk

Fixed interest rate financial instruments expose the Company to fair value interest rate risk. Variable interest rate financial instruments expose the Company to cash flow interest rate risk.

The Company's fixed interest rate financial instruments are government securities and deposits with financial institutions. The Company has no variable interest rate instruments.

No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments. 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.

The government securities, cash and equivalents and deposits with financial institutions at year end totalled Shs 1,191,060,451 (2014: Shs. 1,112,038,479) representing a significant portion of total assets.

At 31st December, 2015, if the interest rates had been 5 basis points higher/lower with all other variables held constant, the effect on the post tax profit for the year would have been an increase/decrease by Shs. 41,687,116 (2014: Shs. 32,808,438).

b) Credit risk

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

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

Other areas where credit risk arises are deposits with banks and other receivables. The company has no significant concentrations of credit risk. The company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Notes (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Financial risk (continued)

b) Credit risk (continued)

Maximum exposure to credit risk before collateral held	2015 Shs	2014 Shs
Receivables arising out of direct insurance arrangements	452,520,699	351,217,757
Receivables arising out of reinsurance arrangements	171,956,755	179,926,393
Reinsurers' share of insurance liabilities	93,620,807	124,159,703
Government securities	650,592,994	640,758,475
Commercial paper	14,863,921	18,573,673
Deposits with financial institutions	475,477,401	394,706,745
Cash and cash equivalents	44,990,056	76,573,259
Kenya Motor Insurance Pool	11,687,053	11,702,369
Other receivables and prepayments	25,824,879	17,082,407
	1,941,534,565	**1,814,700,781**

All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

No collateral is held for the remaining assets. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amounts in receivables arising out of direct insurance arrangements.

Receivables arising out of direct insurance arrangements are summarised as follows:

	2015 Shs	2014 Shs
Past due but not impaired	**452,520,699**	**351,217,757**

Receivables arising out of direct insurance arrangements past due but not impaired:

	2015 Shs	2014 Shs
Past due but not impaired		
- by up to 30 days	94,741,901	83,201,266
- by 31 to 60 days	259,793,941	199,135,679
- over 60 days	97,984,857	68,880,812
Total past due but not impaired	**452,520,699**	**351,217,757**

Financial Statements

For The Year Ended 31st December 2015

Notes (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Financial risk (continued)

b) Credit risk (continued)

The company does not hold any collateral for receivables arising out of direct insurance arrangements.
Receivables arising out of direct insurance arrangements individually impaired relates to brokers.
Receivables arising out of reinsurance arrangements are summarised as follows:

	2015 Shs	2014 Shs
Past due but not impaired (over 61 days)	**171,956,755**	**179,926,393**

c) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The company is exposed to daily calls on its available cash for claims settlement and other administration expenses. The company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum level of bank overdraft facilities that should be in place to cover expenditure at unexpected levels of demand.

The table below presents the cash flows payable by the company under financial liabilities by remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities) at the reporting date. All figures are in Kenya Shillings.

Short term insurance business maturing between 1 to 5 years

As at 31st December	**2015 Shs**	**2014 Shs**
Liabilities		
Insurance contract liabilities	850,234,047	850,681,507
Unearned premium	560,136,802	510,131,875
Creditors arising from reinsurance arrangements	147,872,634	192,688,820
Other payables	88,346,112	85,862,601
Total financial liabilities	**1,646,589,595**	**1,639,364,803**

d) Fair value estimation

Effective 1st January, 2011, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry bank, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Notes (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Financial risk (continued)

d) Fair value estimation (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry bank, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Company's assets and liabilities that are measured at fair value at 31st December, 2015 and 31st December, 2014.

31st December 2015 **Assets - financial assets**	**Carried** **Level 1** **Shs**	**at cost** **Shs**	**Total** **Shs**
Equity instruments at fair value through profit or loss			
- unquoted	-	100,824,875	100,824,875
- quoted	111,234,023	-	111,234,023
	111,234,023	**100,824,875**	**212,058,898**
31st December 2014 **Assets - financial assets**			
Equity instruments at fair value through profit or loss			
- unquoted	-	100,824,875	100,824,875
- quoted	128,307,202	-	128,307,202
	128,307,202	**100,824,875**	**229,132,077**

Notes (continued)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Financial risk (continued)

e) Financial assets by category

Financial assets As at 31st December 2015	Receivables Shs	Financial assets at fair value through profit or loss upon initial recognition Shs	Held to maturity Shs	Total Shs
Reinsurers' share of insurance contract liabilities	93,620,807	-	-	93,620,807
Investments at fair value through profit or loss				
- unquoted investments	-	100,824,875	-	100,824,875
- quoted investments	-	111,234,023	-	111,234,023
Government securities	-	-	650,592,994	650,592,994
Commercial paper	14,863,921	-	-	14,863,921
Receivables arising out of reinsurance arrangements	171,956,755	-	-	171,956,755
Receivables arising out of direct insurance arrangements	452,520,699	-	-	452,520,699
Deposits with financial institutions	475,477,401	-	-	475,477,401
Cash and cash equivalents	44,990,056	-	-	44,990,056
Other receivables and prepayments	25,824,879	-	-	25,824,879
Kenya Motor Insurance Pool	11,687,053	-	-	11,687,053
	1,290,941,571	**212,058,898**	**650,592,994**	**2,153,593,463**
As at 31st December 2014				
Reinsurers' share of insurance contract liabilities	124,159,703	-	-	124,159,703
Investments at fair value through profit or loss				
- unquoted investments	-	100,824,875	-	100,824,875
- quoted investments	-	128,307,202	-	128,307,202
Government securities	-	-	640,758,475	640,758,475
Commercial paper	18,573,673	-	-	18,573,673
Receivables arising out of reinsurance arrangements	179,926,393	-	-	179,926,393
Receivables arising out of direct insurance arrangements	351,217,757	-	-	351,217,757
Deposits with financial institutions	394,706,745	-	-	394,706,745
Cash and cash equivalents	76,573,259	-	-	76,573,259
Other receivables and prepayments	17,082,407	-	-	17,082,407
Kenya Motor Insurance Pool	11,702,369	-	-	11,702,369
	1,173,942,306	**229,132,077**	**640,758,475**	**2,043,832,858**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Financial risk (continued)

e) Financial assets by category (continued)

Financial liabilities	2015 Financial liabilities at amortised cost Shs	2014 Financial liabilities at amortised cost Shs
Insurance contract liabilities	850,234,047	850,681,507
Creditors arising from reinsurance arrangements	147,872,634	192,688,820
Other payables	88,346,112	85,862,601
	1,086,452,793	**1,129,232,928**

f) Capital management

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

Internally imposed capital requirements

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

- to comply with the capital requirements as set out in the Insurance Act;
- to comply with regulatory solvency requirements as set out in the Insurance Act;
- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Externally imposed capital requirements

The Insurance Act requires each insurance company to hold the minimum level of paid up capital as follows:

- General Insurance Business companies Shs 300 Million.

General insurance businesses are required to keep a solvency margin i.e. admitted assets less admitted liabilities equivalent to the higher of Shs. 10 Million or 15% of the net premium income during the preceding financial year.

During the year the company met requirements for the minimum paid up capital for an insurance business as well as the solvency margin as prescribed by section 41 (1) of the Insurance Act.

Notes (continued)

5. GROSS EARNED PREMIUMS

The premium income of the company can be analysed between the main classes of business as shown below:	2015 Shs	2014 Shs
General insurance business:		
Motor	788,423,152	651,981,725
Fire and Engineering	400,362,602	407,366,851
Personal accident	41,457,802	49,612,282
Marine	159,074,807	171,485,697
Theft	130,181,079	144,408,372
Workmen's compensation	275,087,860	299,749,904
Public liability	9,389,710	7,703,943
Miscellaneous	52,965,497	60,370,164
	1,856,942,509	**1,792,678,938**

6. INVESTMENT AND OTHER INCOME

	2015 Shs	2014 Shs
Interest from government securities	76,640,767	74,140,674
Interest from bank deposits	52,425,909	27,675,704
Interest on current bank accounts	1,611,931	1,492,605
Net rental income from investment properties	41,840,961	37,876,324
Dividends received from equity investments	7,719,532	4,304,831
Gain on sale of associates	-	63,674,244
Gain on disposal of vehicles and equipment	111,000	334,273
Share of (loss)/profit from Kenya Motor Insurance Pool (Note 16)	(31,377)	885,460
Other income	152,076	12,061,998
	180,470,799	**222,446,113**

7. CLAIMS PAYABLE

Net claims payable by principal class of business:	2015 Shs	2014 Shs
Motor	481,565,119	443,897,756
Fire and Engineering	290,193,272	355,331,570
Personal accident	35,154,244	30,539,557
Marine	111,457,704	110,996,830
Theft	72,435,284	104,954,684
Workmen's compensation	118,304,125	188,562,868
Public liability	1,058,970	9,455,026
Miscellaneous	23,216,104	8,716,941
Total claims and policyholder benefits payable	**1,133,384,822**	**1,252,455,232**

Notes (continued)

8. EXPENSES

Administrative expenses	2015 Shs	2014 Shs
Employment:		
Salaries and wages	120,883,795	100,121,581
Other staff expenses	7,603,257	6,832,901
Total employment expenses	**128,487,052**	**106,954,482**
Other administrative expenses		
Directors remuneration	27,818,442	24,922,000
Advertising	5,831,132	6,929,443
Donations	4,223,548	4,940,516
Entertainment	1,297,673	839,269
Legal and professional fees	10,221,972	7,366,224
Audit fees	2,357,150	2,389,300
Miscellaneous	3,514,839	2,638,444
Postages and telephones	4,666,939	3,864,331
Printing and stationery	7,633,210	5,142,681
Newspapers and periodicals	292,480	238,220
Travelling and transport	1,999,693	1,196,905
Vehicle running expenses	6,053,400	7,132,982
Bank charges and commission	828,306	891,929
Stamp duty	5,000,000	-
Computer expenses	569,699	950,638
Meeting expenses	5,092,288	3,961,129
Association charges	1,043,241	576,459
Premium tax	18,175,954	17,360,271
Subscriptions	3,974,008	3,602,727
Policy holder compensation	4,743,610	4,570,640
Fines and penalties	-	17,768
Secretarial fees	1,133,600	685,500
Impaired amounts	-	246,547
Total other administrative expenses	**116,471,184**	**100,463,923**
Total administrative expenses	**244,958,236**	**207,418,405**
Establishment:		
Rent	20,041,802	19,633,969
Electricity and water	166,951	192,715
Repairs and maintenance	2,191,015	1,814,508
Licenses	245,300	226,700
Insurance	3,742,128	4,166,790
Security expenses	2,052,286	1,870,874
Depreciation on vehicles and equipment	9,781,428	9,311,367
Total other operating expenses	**38,220,910**	**37,216,923**
Finance costs		
Bank overdraft interest	328,136	36,089
Total expenses	**283,507,282**	**244,671,417**

Financial Statements

For The Year Ended 31st December 2015

Notes (continued)

9. EMPLOYEE BENEFITS EXPENSE

The following items are included within employee benefits expense:

	2015 Shs	2014 Shs
Salaries and wages	113,717,967	93,959,981
Defined benefit scheme and National Social Security Fund	6,677,900	6,161,600
Staff redundancy costs	3,305,404	4,658,609
	123,701,271	**104,780,190**

10. TAX

	2015 Shs	2014 Shs
Current tax	82,741,104	63,658,436
Deferred tax (credit)/charge (Note 21)	7,601,764	4,246,201
Tax charge	**90,342,868**	**67,904,637**

The company's current income tax charge is computed in accordance with income tax rules applicable to composite insurance companies. A reconciliation of the tax charge is shown below:

	2015 Shs	2014 Shs
Profit before tax	297,906,943	289,599,793
Tax calculated at a tax rate of 30% (2014: 30%)	89,372,083	86,879,938
Tax effect of:		
- expenses not allowable for tax purposes	8,261,391	7,303,135
- (over) provision of deferred tax in prior years	9,029,922	6,084,524
- income not subject to tax	(16,320,528)	(32,362,960)
Tax charge	**90,342,868**	**67,904,637**

11. SHARE CAPITAL

	2015 Shs	2014 Shs
Authorised		
1,000,000 (2014: 500,000) ordinary shares of Shs. 1,000 each	**1,000,000,000**	**500,000,000**
Issued and fully paid:		
693,000 Ordinary shares (2014: 346,500) of Kshs 1,000 each	**693,000,000**	**346,500,000**

The authorised share capital of the company was increased on 21st May, 2015 from Shs. 500,000,000 representing 500,000 ordinary shares of Shs. 1,000 each to Shs. 1,000,000,000 representing 1,000,000 ordinary shares of Shs. 1,000 each.

The issued and paid up share capital of the company was increased on 14th July, 2015 from Shs. 346,500,000 to Shs. 693,000,000 by the issuance of 346,500 ordinary shares of Shs. 1,000 each.

12. RETAINED EARNINGS

Included within retained earnings of 2015 are surpluses arising from the revaluation of investment properties whose distribution is subject to restrictions imposed by legislation. The Commissioner of Insurance has placed restrictions on distribution of gains arising from the revaluation of investment properties. As at 31st December, 2015, the cumulative fair value gains on the investment properties amounted to Shs. 253,748,515 (2014: Shs. 253,748,515).

13. VEHICLES AND EQUIPMENT

Year ended 31st December 2015	Motor Vehicles Shs	Fittings and Computers Shs	Equipment Shs	Total Shs
Cost				
At start of year	6,760,613	26,967,901	42,664,022	76,392,536
Additions	-	3,302,622	8,352,585	11,655,207
At end of year	**6,760,613**	**30,270,523**	**51,016,607**	**88,047,743**
Depreciation				
At start of year	5,360,813	24,904,391	18,952,045	49,217,249
Charge for the year	987,500	4,538,061	4,255,867	9,781,428
At end of year	**6,348,313**	**29,442,452**	**23,207,912**	**58,998,677**
Net book value	**412,300**	**828,071**	**27,808,695**	**29,049,066**

Year ended 31st December 2014				
Cost				
At start of year	6,960,613	26,683,749	40,264,309	73,908,671
Additions	500,000	2,145,657	2,462,121	5,107,778
Disposals	(700,000)	(1,861,505)	(62,408)	(2,623,913)
At end of year	**6,760,613**	**26,967,901**	**42,664,022**	**76,392,536**
Depreciation				
At start of year	5,047,645	22,574,760	14,837,428	42,459,833
On disposal	(700,000)	(1,835,275)	(18,676)	(2,553,951)
Charge for the year	1,013,168	4,164,906	4,133,293	9,311,367
At end of year	**5,360,813**	**24,904,391**	**18,952,045**	**49,217,249**
Net book value	**1,399,800**	**2,063,510**	**23,711,977**	**27,175,287**

14. INVESTMENT PROPERTIES

	2015 Shs	2014 Shs
At start of year	440,000,000	400,000,000
Additions	1,682,928	18,000,000
Fair value gain	-	22,000,000
At end of year	**441,682,928**	**440,000,000**

Investment properties include property held under finance leases which are classified and accounted for as investment properties.

The fair value of investment property was determined by reference to the market prices of similar properties of the type and in the area in which the property is situated. The valuation was carried out on 31st December, 2015 by Milligan Limited, an independent professional valuer with recent experience in the location and category of the investment property being valued.

The book values of properties was adjusted and the resultant surplus was credited to the statement of profit or loss. Direct operating expenses arising on the investment property amounted to Shs. 6,012,606 (2014: Shs. 5,953,573).

15. INTANGIBLE ASSETS - WORK IN PROGRESS

	2015 Shs	2014 Shs
At start of year	29,024,469	29,024,469
Additions	295,501	-
At end of year	**29,319,970**	**29,024,469**

The above work in progress relates to a computer software (Agilis) being developed by the company.

16. KENYA MOTOR INSURANCE POOL (KMIP)

	2015 Shs	2014 Shs
At start of year	11,702,369	10,816,909
Claims paid during the year	16,061	-
Share of (loss)/profit (Note 6)	(31,377)	885,460
	11,687,053	**11,702,369**

This represents the company's share of the net assets of the pool. This investment is recoverable from the pool through a share of investment income generated by the pool's investments annually.

Financial Statements

For The Year Ended 31st December 2015

Notes (continued)

17. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

Short term insurance business	2015 Shs	2014 Shs
Reinsurers' share of claims outstanding	93,620,807	124,159,703

18. OTHER RECEIVABLES AND PREPAYMENTS

	2015 Shs	2014 Shs
Prepayments	3,696,472	3,746,900
Staff loans and advances	3,162,215	2,350,795
Rent receivable	11,061,487	7,395,036
Deposits	1,193,096	-
Other receivables	6,711,609	3,589,676
	25,824,879	17,082,407

19. A) GOVERNMENT SECURITIES - 'HELD TO MATURITY'

	2015 Shs	2014 Shs
Between 1 and 5 years of the reporting date	198,617,389	31,857,336
After 5 years of the reporting date	451,975,605	608,901,139
	650,592,994	640,758,475

Treasury bonds amounting to Shs. 110,000,000 as at 31st December, 2015 (2014: Shs. 90,000,000) are held under lien in favour of the Commissioner of Insurance in accordance with Section 32 of the Insurance Act.

B) COMMERCIAL PAPER

	2015 Shs	2014 Shs
Infrastructure bond	14,863,921	18,573,673

C) WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The following table summarises the weighted average effective interest rates at the year end on the principal interest-bearing investments:

	2015 %	2014 %
Government securities	12.14	12.00
Deposits with financial institutions	11.36	10.00
Commercial paper	12.50	12.50

Financial Statements

For The Year Ended 31st December 2015

Notes (continued)

20. A) QUOTED INVESTMENTS

'Availabe-for-sale'	2015 Shs	2014 Shs
At start of year	128,307,202	27,005,638
Additions	36,143	99,962,871
Disposal	-	(1,130)
Fair value (loss)/gain (Note 6)	(17,109,322)	1,339,823
At end of year	**111,234,023**	**128,307,202**

B) UNQUOTED INVESTMENTS

	2015 Shs	2014 Shs
At start and end of year	**100,824,875**	**100,824,875**
The investment in unquoted investments can be summarised as:		
22,347 (2014: 22,347) Ordinary shares in Equatorial Commercial Bank Limited	824,875	824,875
100,000 (2014: 100,000) Ordinary shares of in Victoria Commercial Bank Limited	100,000,000	100,000,000
At end of year	**100,824,875**	**100,824,875**

21. DEFERRED TAX

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2014: 30%). The movement on the deferred income tax account is as follows:

	2015 Shs	2014 Shs
At start of year	(6,155,418)	(10,803,566)
(Credit)/charge to profit or loss (Note 10)	7,601,764	4,246,201
(Credit)/charge to other comprehensive income	(401,947)	401,947
At end of year	**1,044,399**	**(6,155,418)**

Deferred income tax assets and liabilities and deferred income tax charge/(credit) to profit or loss are attributable to the following items:

	At start of year Shs	(Credit) to profit or loss Shs	(Credit) to other comprehensive income Shs	At end of year Shs
Deferred income tax (assets)				
Excess depreciation over capital allowances	(3,496,256)	(436,537)	-	(3,932,793)
Other financial assets carried at fair value	401,947	-	(401,947)	-
Available for sale financial assets	3,573,357	(3,573,357)	-	-
Gratuity provisions	(6,634,466)	(991,621)	-	(7,626,087)
Fair value gain on investment properties	-	12,603,279	-	12,603,279
	(6,155,418)	**7,601,764**	**(401,947)**	**1,044,399**

Financial Statements

For The Year Ended 31st December 2015

Notes (continued)

22. CASH AND CASH EQUIVALENTS

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

	2015 Shs	2014 Shs
Cash and bank balances	44,990,056	76,573,259
Fixed deposits maturing within 90 days	475,477,401	394,706,745
Restricted bank balances	20,000,000	-
	540,467,457	**471,280,004**

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

Cash and bank balances	540,467,457	471,280,004
Restricted bank balances	(20,000,000)	-
	520,467,457	**471,280,004**

Restricted bank balances relate to bank balances that are held with Imperial Bank Limited (in receivership).

23. INSURANCE CONTRACT LIABILITIES

	2015 Shs	2014 Shs
Short term insurance contracts:		
- claims reported and claims handling expenses	649,207,525	685,342,561
- claims incurred but not reported (IBNR)	199,844,982	164,157,406
	849,052,507	**849,499,967**
Long term insurance contracts:		
- claims reported and claims handling expenses	1,181,540	1,181,540
Total gross insurance liabilities	**850,234,047**	**850,681,507**

24. UNEARNED PREMIUM

	2015 Shs	2014 Shs
At start of year	510,131,875	460,287,373
Net increase during the year	50,004,927	49,844,502
At end of year	**560,136,802**	**510,131,875**

25. OTHER PAYABLES

	2015 Shs	2014 Shs
Rental deposits	6,538,834	6,271,739
Other accrued expenses	8,599,718	5,616,460
Accrued gratuity	30,811,472	27,506,068
Other liabilities	42,396,088	46,468,334
	88,346,112	**85,862,601**

Notes (continued)

22. CASH FROM OPERATIONS

Reconciliation of profit before tax to cash from operations:	2015 Shs	2014 Shs
Profit before tax	297,906,943	289,599,793
Adjustments for:		
Investment income	(130,647,230)	(104,194,443)
(Gain) on disposal of vehicles and equipment	(111,000)	(334,273)
Depreciation on vehicles and equipment (Note 13)	9,781,428	9,311,367
Gain on sale of shares in associate	-	(63,674,244)
Changes in:		
- restricted bank balances	(20,000,000)	-
- insurance contract liabilities	(447,460)	73,096,055
- provisions for unearned premium	50,004,927	49,844,502
- receivables arising out of direct insurance arrangements	(101,302,942)	(74,728,956)
- other receivables and prepayments	(8,742,472)	(5,109,771)
- other payables	2,483,511	7,447,494
- increase in creditors arising out of reinsurance arrangements	(44,816,186)	17,074,498
- movement in reinsurance debtors	30,538,896	47,522,667
- net movement in Kenya Motor Insurance Pool	15,316	(885,460)
- receivables arising out of reinsurance arrangements	7,969,638	5,825,610
Cash from operations	**92,633,369**	**250,794,839**

27. RELATED PARTY TRANSACTIONS

Key management personnel compensation	2015 Shs	2014 Shs
The remuneration of directors and other key management during the year were as follows:		
Fees for services as directors	625,000	575,000
Other remuneration	27,193,442	24,347,000
	27,818,442	**24,922,000**

28. EARNINGS PER SHARE

Basic earnings per share is calculated on the profit attributable to the shareholders and on the weighted average number of shares outstanding during the year adjusted for the effect of the bonus shares issued if any.

	2015 Shs	2014 Shs
Net profit for the year attributable to shareholders	**190,454,753**	**244,633,032**
Adjusted weighted average number of ordinary shares in issue	**693,000**	**346,500**
Earnings per share - basic and diluted (Shs.)	**274.83**	**706.01**

There were no potentially dilutive shares outstanding as at 31st December, 2015 and 2014.

29. (A) CAPITAL COMMITMENTS

Capital expenditure commitments as at the year end were as follows:

	2015 Shs	2014 Shs
Authorised but not contracted for:		
Software	**2,223,000**	**2,223,000**

(B) OPERATING LEASE COMMITMENTS

Company as a lessee
Rental expenses incurred during the year was Shs. 20,041,802 (2014: Shs. 19,633,969). At the end of the reporting period the company had outstanding commitments under operating leases which fall due as follows:

	2015 Shs	2014 Shs
Not later than 1 year	10,296,973	10,700,084
Later than 1 year and not later than 5 years	18,268,822	43,140,044
	28,565,795	**53,840,128**

Company as a lessor
Rental income earned during the year was Shs 47,853,567 (2014: Shs 43,829,897).
At the end of the reporting period the company had contracted with tenants for the following future lease receivables:

	2015 Shs	2014 Shs
Within 1 year	48,249,434	49,001,472
In the second to fifth year inclusive	109,802,542	108,400,000
	158,051,976	**157,401,472**

30. DIVIDENDS

The Directors propose a final dividend of Shs. 40,194,000 (2014: Shs. 45,045,000) for the year.

In accordance with the Kenyan Companies Act, these financial statements reflect this dividend payable, which is accounted for in the shareholders' funds as an appropriation of retained profits in the year ended 31st December, 2015.

Payment of dividend is subject to withholding tax at a rate of 0%, 5% or 10% depending on the tax status or residency of the shareholder.

31. CONTINGENT LIABILITIES

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

The company has issued various custom bonds. No material loss is anticipated from these.

32. COUNTRY OF INCORPORATION

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

33. PRESENTATION CURRENCY

The financial statements are presented in Kenya Shillings ('Shs').

General Insurance Business Revenue Account

For The Year Ended 31st December 2015

CLASS OF INSURANCE BUSINESS

	Engineering Shs	Fire Domestic Shs	Fire Industrial Shs	Public Liability Shs	Marine Shs	Motor Private Shs	Motor Commercial Shs	Personal Accident Shs	Theft Shs	Workmens' Compensation Shs	Miscellaneous Shs	2015 Total Shs	2014 Total Shs
Gross premiums written	**89,141,228**	**46,941,590**	**270,427,472**	**10,039,334**	**165,631,451**	**338,793,223**	**452,485,851**	**38,353,579**	**134,316,133**	**306,873,581**	**53,943,994**	**1,906,947,436**	**1,842,523,440**
Change in gross UPR	(1,114,458)	(11,089,597)	6,056,367	(649,624)	(6,556,644)	(42,082,578)	39,226,656	3,104,223	(4,135,054)	(31,785,721)	(978,497)	(50,004,927)	(49,844,502)
Gross earned premiums	88,026,770	35,851,993	276,483,839	9,389,710	159,074,807	296,710,645	491,712,507	41,457,802	130,181,079	275,087,860	52,965,497	1,856,942,509	1,792,678,938
Less: reinsurance payable	72,144,228	15,497,145	226,662,994	7,364,328	106,570,016	11,851,335	22,211,117	28,017,053	81,520,758	4,007,891	35,087,615	610,934,480	616,386,980
Net earned premiums	**15,882,542**	**20,354,848**	**49,820,845**	**2,025,382**	**52,504,791**	**284,859,310**	**469,501,390**	**13,440,749**	**48,660,321**	**271,079,969**	**17,877,882**	**1,246,008,029**	**1,176,291,958**
Gross claims paid	82,474,712	50,587,122	148,405,601	1,775,278	129,008,873	178,161,608	248,811,838	36,044,928	74,276,543	130,781,883	22,964,999	1,103,293,385	1,131,836,511
Change in gross o/s claims	7,874,171	(3,058,025)	3,909,691	(716,308)	(17,551,169)	34,603,475	19,988,198	(890,684)	(1,841,259)	(12,477,758)	251,105	30,091,437	120,618,721
Less: reinsurance	74,872,708	15,707,031	132,275,203	1,247,071	93,892,145	-	5,579,211	28,572,426	44,564,405	-	15,742,089	412,452,289	499,827,289
Net claims incurred	**15,476,175**	**31,822,066**	**20,040,089**	**(188,101)**	**17,565,559**	**212,765,083**	**263,220,825**	**6,581,818**	**27,870,879**	**118,304,125**	**7,474,015**	**720,932,533**	**752,627,943**
Commissions receivable	(21,817,573)	(5,258,457)	(71,616,815)	(1,785,200)	(26,135,276)	(2,067,762)	(2,153,478)	(6,975,814)	(20,694,806)	(699,278)	(9,823,182)	(169,027,641)	(175,061,125)
Commissions payable	17,537,993	9,281,052	64,730,879	1,973,018	28,904,226	33,521,449	45,034,574	6,861,089	19,620,808	60,891,113	4,803,510	293,159,711	286,900,043
Expenses of management	3,117,542	3,995,399	9,779,202	397,557	10,306,026	55,914,278	92,157,182	2,638,249	9,551,405	53,209,567	3,509,201	244,575,608	210,298,595
Total expenses & commissions	(1,162,038)	8,017,994	2,893,266	585,375	13,074,976	87,367,965	135,038,278	2,523,524	8,477,407	113,401,402	(1,510,471)	368,707,678	322,137,513
Underwriting profit/(loss)	**1,568,405**	**(19,485,212)**	**26,887,490**	**1,628,108**	**21,864,256**	**(15,273,738)**	**71,242,287**	**4,335,407**	**12,312,035**	**39,374,442**	**11,914,338**	**156,367,818**	**101,526,502**

OCCIDENTAL

INSURANCE COMPANY LTD

NAIROBI

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