MAYFAIR INSURANCE COMPANY RWANDA LIMITED

AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2021

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

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Date: 29/03/2022
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MAYFAIR INSURANCE COMPANY RWANDA LIMITED
CORPORATE INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2021

REGISTERED OFFICE

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
M. Peace Plaza, 2nd Floor
Avenue de la Paix, KN 4 AVE
P.O Box 1380
Kigali, Rwanda

BANKER

Access Bank Rwanda PLC
P.O Box 2059
Kigali, Rwanda

Bank of Kigali PLC
P.O BOX 175
Kigali, Rwanda

Banque Populaire du Rwanda PLC
Po Box 1348
Kigali - Rwanda

KCB Bank Rwanda PLC
P.O BOX 5620
Kigali, Rwanda

I&M Bank Rwanda PLC
P.O. BOX 354
Kigali, Rwanda

Equity Bank Rwanda PLC
P.O BOX 494
Kigali, Rwanda

Cogebank PLC
P.O BOX 5230
Kigali, Rwanda

Guarantee Trust Bank PLC
P.O. Box 331
Kigali, Rwanda

NCBA Bank Rwanda PLC
P O Box 6774
Kigali, Rwanda

ECOBANK Rwanda Plc
P.O BOX 3268
Kigali-Rwanda

AUDITOR

Ernst & Young Rwanda Limited
M. Peace Plaza, Executive Wing, 6th floor
KN4 AV,72 ST.
P.O. Box 3638
Kigali
Rwanda

MAYFAIR INSURANCE COMPANY RWANDA LIMITED
REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 31 DECEMBER 2021

The directors submit their report and the audited financial statements for the year ended 31 December 2021 which show the state of the company's affairs.

1. PRINCIPAL ACTIVITY

The principal activity of the company is that of insurance cover for general business.

2. RESULTS

The results for the year are set out on page 8.

3. DIVIDEND

The directors do not recommend payment of dividend with respect to the year ended 31 DECEMBER 2021.

4. RESERVES

The reserves of the company are set out on page 10.

5. DIRECTORS

The directors who served during the year and to the date of this report were: -

Byusa Hangu Alphonse	Chairperson - independent	Rwandan
Muhimuzi Mugisha Daniel	Managing director	Rwandan
Anjay Vithalbhai Patel	Member	British
Richard Rwihandagaza	Member - independent	Rwandan
Jessica Igoma	Member - independent	Rwandan
Shivon Byamukama	Member - independent	Rwandan
Benjamin Rugangazi	Member	Rwandan
Symphorien Kamanzi	Member	Rwandan

6. AUDITOR

Ernst & Young Rwanda Limited was appointed during the year in accordance with National Bank of Rwanda Regulation and have expressed willingness to continue in office.

By Order of the Board

Company Secretary

Date: 29/03/2022

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MAYFAIR INSURANCE
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MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021

Law No. 007/2021 of 05/02/2021 governing companies require the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. They also require the directors to ensure that the company keeps proper accounting records that 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 estimates, in conformity with International Financial Reporting Standards and the requirements of the Law No. 007/2021 of 05/02/2021 governing companies. 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 loss in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

....
Director

....
Director

Date: 29/03/2022

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MAYFAIR INSURANCE COMPANY RWANDA LIMITED

REPORT ON THE AUDITED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Mayfair Insurance Company Limited, which comprise of the statement of financial position as at 31 December 2021, the statement of profit or loss, statement of changes in equity, and statement of cash flows for the year ended 31 December 2021 and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 64.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mayfair Insurance Company Limited as at 31 December 2021, and its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards and the requirements of Law No. 007/2021 of 05/02/2021 governing companies relating to companies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Mayfair Insurance Company Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report as required by Law No. 007/2021 of 05/02/2021 governing companies. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
MAYFAIR INSURANCE COMPANY RWANDA LIMITED

REPORT ON THE AUDITED FINANCIAL STATEMENTS

KEY AUDIT MATTER

Key audit matter	Audit procedures to address key audit matter
The company's provision for reported claims by policyholders and incurred but not reported reserve (IBNR) represent 19% of the total liabilities. • The provision for reported claims by policyholders recorded by the company comprises of the total value of individual outstanding claims estimated by internal or external loss adjusters when a claim has been initiated. These estimates are reassessed during the various stages of the claim processing cycle and are revised based on changes in specific circumstances pertaining to each claim. • The IBNR recorded by the company represents an estimate of the liability for a claim-generating event that has taken place during the year but has not yet been reported to the company as of 31 December 2021. IBNR is calculated at the reporting date based on the computations performed by an external actuary appointed by the management, after considering historical claim trends, empirical data and current assumptions. • Due to the magnitude of the balances and the estimation uncertainty and subjectivity involved in the assessment of these reserves we have considered the valuation of the provision for reported claims by policyholders and IBNR as a key audit matter. Further, the measurement of these insurance contract liabilities involves significant judgment over uncertain future outcomes, mainly the ultimate total settlement value of the insurance contract liabilities, including any guarantees provided to policyholders.	Our audit procedures over the provision for reported claims by policyholders included the following: - Tested controls over the initiation, review and approval of the claim process across the different lines of business including the claim settlement process. - Evaluated the provision for reported claims by policyholder recorded by management by reviewing the loss adjusters' reports, internal policies for reserves and other assumptions made by management. - Performed a substantive analytical review on the movements in the provision for reported claims by policyholders during the year. - Tested the adequacy and completeness of the disclosures on the provision for reported claims by policyholders, Incurred but not reported reserve (IBNR) Our audit procedures over IBNR included the following: - Evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management. - Verified the data used by external actuary to the actuarial exhibits and verified that the data on which the estimate is based is accurate and complete. - Involved our internal specialist to verify the computation and evaluate the methodology and assumptions used by the actuary by comparison to generally accepted industry practices. - Tested the adequacy and completeness of the disclosures on the IBNR.

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REPORT OF THE INDEPENDENT AUDITORS (continued)
TO THE MEMBERS OF MAYFAIR INSURANCE COMPANY RWANDA LIMITED

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 Law No. 007/2021 of 05/02/2021 governing companies, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

ERNST & YOUNG Rwanda Ltd
SKS
Date: 29/03/2022

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REPORT OF THE INDEPENDENT AUDITORS (continued)
TO THE MEMBERS OF
MAYFAIR INSURANCE COMPANY RWANDA LIMITED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

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

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Law No. 007/2021 of 05/02/2021 governing companies we report to you, based on our audit, that:

i) We have no relationship, interests and debts in the Company;

ii) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

iii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and,

iv) We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

Stephen K Sang
For Ernst & Young Rwanda Limited

29 MARCH 2022

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MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2021

	Notes	2021 FRW'000	2020 FRW'000
Gross written premiums	3 (a)	4,190,142	3,327,535
Premiums ceded to reinsurers and co-insurance	3 (c,d)	(2,830,082)	(1,947,200)
Net written premiums		1,360,060	1,380,335
Unearned premium reserve	3 (b)	26,994	(145,196)
Net earned premiums		1,387,054	1,235,139
Commissions income	3 (c,d)	724,988	547,454
Movement in deferred commission income	3(e)	(90,908)	(169,068)
Interest revenue calculated using effective interest method	4 (a)	278,977	207,393
Other Income	4 (b)	54,191	45,017
Finance and other income	5	45,976	36,291
Total income		2,400,278	1,902,226
Gross claims and policyholders' benefits payable	6 (a,b)	(968,819)	(674,355)
less: Claims recoverable from reinsurers	6 (c,d)	505,005	425,487
Change in claims incurred but not reported	6 (e)	(29,242)	(57,751)
Net claims incurred		(493,056)	(306,619)
Commissions expense	3 (f)	(458,817)	(322,074)
Deferred acquisition cost	3 (f)	53,642	(20,276)
Operating and other expenses	7(a)	(1,159,481)	(850,336)
Finance cost	7(b)	(13,932)	(11,494)
Expected credit loss on financial assets	7(c)	(4,819)	(755)
Total expenses		(1,583,407)	(1,204,935)
Profit before income tax		323,815	390,672
Income tax expense	9	(97,486)	(77,163)
Profit for the year		226,329	313,509
Other comprehensive income		-	-
Total comprehensive income for the year		226,329	313,509

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MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

Statement of financial position

ASSETS	Notes	2021 FRW '000'	2020 FRW '000'
Cash and cash equivalents	10(a)	431,685	434,430
Deposits placed with financial institutions	10(b)	3,100,375	2,305,105
Receivables arising out of direct insurance arrangements	11	381,713	369,495
Deferred acquisition costs	12	181,149	127,506
Other assets	13	70,077	66,081
Reinsurance assets	14	1,661,322	1,087,649
Financial assets at amortised cost	15	886,506	494,963
Investment in property	16	601,400	540,000
Right of use asset	17	66,589	12,099
Deferred tax assets	18	30,118	21,566
Intangible assets	19	244,213	234,217
Motor vehicle and equipment	20	21,152	23,839
Total assets		7,676,299	5,716,950
EQUITY AND LIABILITIES			
LIABILITIES			
Insurance contract liabilities	21	2,665,982	1,957,544
Deferred commission income	24	259,975	169,068
Lease Liability	17.b	69,692	13,259
Other payables	25	475,114	413,559
Creditors arising from reinsurance arrangements	26	967,910	674,134
Total liabilities		4,438,673	3,227,564
EQUITY			
Share capital	27	3,011,296	2,418,355
Retained earnings		226,330	71,031
Total equity		3,237,626	2,489,386
Total equity and liabilities		7,676,299	5,716,950

Financial statements were approved by the Board of Directors on 29/03/ 2022 and signed on its behalf by:

....
Director

MAYFAIR INSURANCE COMPANY RWANDA LTD
MAYFAIR INSURANCE
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....
Director

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MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2021

Statement of changes in equity

	Notes	Share capital	Retained earnings / (Accumulated losses)	Total
		FRW '000	FRW '000	FRW '000
Year ended 31 December 2020				
At start of year		2,041,175	(242,478)	1,798,697
Total comprehensive income for the year		-	313,509	313,509
Transaction with owners:				
Capital contribution	27	377,180	-	377,180
At end of year		2,418,355	71,031	2,489,386
Year ended 31 December 2021				
At start of year		2,418,355	71,031	2,489,386
Change in accounting policy/Prior year error		-	-	-
Capitalization of retained earning		71,030	(71,030)	-
Total comprehensive income for the year		-	226,329	226,329
Transaction with owners: Capital contribution	27	521,911	-	521,911
At end of year		3,011,296	226,330	3,237,626

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MAYFAIR INSURANCE COMPANY RWANDA LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2021

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Statement of Cash flows

	Notes	2021 FRW'000	2020 FRW'000
Profit before income tax		323,815	390,672
Adjustments			
Depreciation charge on equipment	20	24,219	30,655
Amortization of intangible asset		27,135	-
Right of use an asset	17	39,519	36,298
Interest income on term deposits	10(b),15	(278,977)	(207,393)
Expected credit losses on receivables	10(b)	2,548	-
Interest on lease liability	17 (b)	8,698	6,333
Impairment of financial instruments	10(b),15	4,819	755
Revaluation gain on investment property		(2,953)	-
Amortization of government bonds at Premium		5,137	2,884
Unrealised exchange gain		(2,103)	(1,719)
		151,857	258,485
Working capital changes			
Receivables arising out of direct insurance arrangements		(14,766)	(250,292)
Deferred acquisition costs	12	(53,642)	20,276
Reinsurance assets		(573,673)	(164,516)
Other assets		(14,107)	(57,921)
Unearned premium reserve		367,545	93,163
Insurance contract liabilities	21	340,894	296,261
Deferred commission income	3(e)	90,907	169,068
Other payables	25	128,294	185,981
Creditors arising from reinsurance arrangements	26	293,775	(89,453)
Cash in flows from operating activities		717,084	461,052
Income tax paid		(162,667)	-
		554,417	461,052
Interest income received	10(b)&15	211,160	130,232
Payment of interest portion of lease liabilities	17.b	(8,698)	(6,333)
Net cash in flows from operating activities		756,879	584,931
Cash flows from investing activities			
Purchase /Reinvestment of deposits placed with financial institutions	10(b)	(4,251,601)	(2,685,290)
Maturities of deposits placed with financial institutions	10(b)	3,515,576	2,449,736
Financial assets at amortised cost	15	(392,925)	(230,440)
Investment in property	16	(58,447)	(278,675)
Purchase of equipment	20	(21,533)	(21,062)
Intangible additions	19	(37,132)	(81,449)
Net cash outflows from investing activities		(1,246,062)	((847,180))
Financing activities		521,911	377,180
Increase in share capital	27	(37,576)	(39,862)
Payment of principal portion of lease Liability	17(b)	484,335	337,318
Net cash inflows from financing activities			
		(4,848)	75,089
Net cash inflows for the year		2,103	1,719
Unrealised exchange gain			
Cash and cash equivalent at beginning of year	10(a)	434,430	357,622
Cash and cash equivalent as at end of year	10(a)	431,685	434,430

1. CORPORATE INFORMATION

Mayfair Insurance Company Limited is a general insurance company registered on 02 February 2016 and domiciled in Rwanda and licensed under the Law No. 007/2021 of 05/02/2021 governing companies in Rwanda. The address of its registered office and principal place of business is stated in page 1.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis except for investment property that has been measured at fair value.

The company presents it statement of financial position in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in the respective notes (Note 10 - 26).

Statement of compliance

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Significant accounting judgements, estimates and assumptions

In the process of applying the company's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. Although these estimates are based on the management's knowledge of current events and actions, actual results ultimately may differ from those estimates. The most significant use of judgments and estimates are as follows:

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 in business for the foreseeable future. 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.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims. For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). IBNR is determined using actuarial methodology of reserving

The directors have assessed the impact of COVID 19 and are of the view that the pandemic will have a small impact on its profitability, but it won't have an impact on the company's going concern, due to:

- The entity has a solvency buffer of 153.95 % above the regulatory minimum as at 31 December 2021.
- The entity has a liquid asset of grew 4.1 billion which management is of the view is sufficient to meet claims cover, in addition the budgeted premium for January 2022 has been surpassed by 9%.
- Insurance company have been classified among company that offer essential service that give us the possibility of still working even in period of total lockdown.

2 Significant accounting policies (cont'd)
2.3 Summary of significant accounting policies

(a) Intangible assets

Intangible assets relate to computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives which does not exceed 10 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

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 statement of profit or loss and other comprehensive income when the asset is derecognised.

Present value of acquired in-force business (PVIF)

When a portfolio of insurance contracts and/or investment contracts with DPF is acquired, whether directly from another insurance company, or as part of a business combination, the difference between the fair value of the insurance liability and the value of the insurance liabilities measured using the Insurer's existing accounting policies is recognised as a PVIF asset.

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset is amortised on a straight-line basis over the useful life of the acquired policies. Amortisation is recorded in the statement of profit or loss. 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 or method and they are treated as a change in an accounting estimate. The recoverability of PVIF is considered as part of the liability adequacy test performed at each reporting period. PVIF is derecognised when the related contracts are settled or disposed of.

Future servicing rights

When a portfolio of investment contracts without DPF, under which the Insurer will render investment management services, is acquired, whether directly from another insurance company or as part of a business combination, the fair value of future servicing rights is recognised as an intangible asset Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset is amortised on a straight-line basis over period of services to be rendered. Amortisation is recorded in the statement of profit or loss. An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Future servicing rights are also considered in establishing an onerous contract provision for each reporting period. Future servicing rights are derecognised when the related contracts are settled or disposed of other intangibles.

The economic lives of these assets are determined by consideration of relevant factors such as usage of the asset, typical product life cycles, maintenance costs, the stability of the industry, competitive position, and period of control over the assets. These assets are amortised over their useful lives, using the straight-line method and recognised in the statement of profit or loss.

2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

b) 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 of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 of disposal, 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 are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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 statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

c) Deferred expenses

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, 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 are amortised over the period in which the related revenues are earned. 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 statement of comprehensive income. 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.

2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

d) Motor Vehicle and Equipment

Equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred, if 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.

Depreciation is provided on a straight-line basis over the estimated useful lives of the following classes of assets

Motor vehicles	4 years
Computers	2 years
office equipment	4 years
Partitioning	4 years
Furniture& Fittings	4 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively.

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

e) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Financial assets

Initial recognition and measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Financial Instruments (continued)

The SPPI test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include amortised cost.

Subsequent measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (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. ECLs are recognised in the statement of profit or loss when the investments are impaired.

For receivable arising from direct insurance contracts and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition

Derecognition other than for substantial modification

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

- The rights to receive cash flows from the asset have expired Or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

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2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Financial Instruments (continued)

Derecognition (continued)

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

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

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

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

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

2 Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Financial Instruments continued)

For investment in financial institutions and treasury bonds and treasury bills the Company estimates ECL by reference to credit rating of the counterparty and if the counterparty is not listed, by reference to the country risk rating. The Company uses Fitch Affirms for country risk ratings and S&P credit rating agency fo determine estimate whether credit risk for instruments has significantly increased.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and due to related parties.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories: Financial liabilities at fair value through profit or loss and financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include 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 incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or lossThe company does not hold financial liability under this category in the current year.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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 the derecognition of the original liability and the recognition of a new liability.

2 Significant accounting policies (cont'd)
2.4 Summary of significant accounting policies (cont'd)

f) Financial **Instruments continued)**

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

g) Reinsurance ceded to reinsurance counterparties

The Insurer 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 period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Insurer 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 Insurer will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.
Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Insurer from its obligations to policyholders.

Reinsurance assumed

The Insurer 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 insurance companies. Amounts payable are estimated in a manner consistent with the related to 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 EIR method when accrued.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the EIR 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 statement of profit or loss.
Insurance receivables are derecognised when the derecognition criteria for financial assets.
Cash and short-term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Insurer's cash management

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand

i) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Insurer operates and generates taxable income.

Current income tax relating to items recognised directly in equity or OCI is recognised in equity or OCI and not in the statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.
The income tax charge is analysed between tax in respect of policyholders' returns and the balance which represents the tax on equity holders' returns. The income tax charge in respect of policyholders' returns reflects the movement in current and deferred income tax recognised in respect of those items of income, gains and expenses, which are for the benefit of policyholders.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in

  a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can becontrolled and it is probable that the temporary differences will not reverse in the foreseeable future

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

i) Taxes (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change.
The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss. Sales taxes and premium taxes

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

- Where the sales or premium tax incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the sales and premium tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of sales or premium tax included Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

j) Leases

Insurer as a lessee

Upon adoption of IFRS 16, the company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use asset

The company's leasing activities and how these are accounted for

The company leases office space in various parts of Kigali. Rental contracts are typically made for fixed periods of 1 to 4 years with the option for extension or termination. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset are measured at measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

j) Leases (cont'd)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic company environment with similar terms, security and conditions

In the absence of the Company's previous borrowing experience, the National Bank of Rwanda's lending rate has been applied in the discounting of future cashflows

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less

Extension and termination options are included in a number of property leases across the company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the company and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management have assumed renewal options and assumed an extension period with the same terms of 5 years for each of the in-force lease agreements

For the leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
- Management are of the view that probability of incurring termination penalties is very low due to the fact that the National Bank of Rwanda requires notice of not less than 3 months and that also customers need to be informed of any change in address with a reasonable time. Based on the notice required, notice required by the lessor would be reasonably served.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

j) Leases (cont'd)

Insurer as a lessor
Leases in which the company does not transfer substantially all of the risks and rewards of ownership of an asset are classified as operating leases.

Rental income is recognised as revenue in the statement of profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned

k) Foreign currency translation

The Insurer's financial statements are presented in Rwf

Transactions and balances

Transactions in foreign currencies are initially recorded by the Insurer's entities at their functional currency spot rate prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in OCI until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

l) Insurance contract liabilities

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 a 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. At each reporting date, the Insurer reviews its unexpired risk and a liability adequacy test is performed in accordance with standards to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non- life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

Liability adequacy test
At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. 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 initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

The quantitative information about the estimates and judgements used in the calculation of the insurance contract liabilities. The significant inputs used in making estimations and judgements are the following:

Data used in Calculating Judgement

Claim data	Outstanding claim	Premium	Other data
Claim number	Claim number	Policy number	Management account
Date of loss	Date of loss	Start date	
Date of payment	Date of payment	End date	
Class of business	Class of business	Class of business	
Gross claim amount	Gross claim amount	Gross written premium	

Premiums used in calculation of insurance contract liability

	Data FRW'000	Financials FRW'000	Difference
Motor	888,277	888,277	0.0%
Fire	1,188,296	1,188,296	0.0%
Engineering	282,804	282,804	0.0%
Liabilities	377,704	377,704	0.0%
Marine	275,542	275,542	0.0%
Bonds	398,214	398,214	0.0%
Other	779,305	779,305	0.0%
	4,190,142	4,190,142	

Claims used in calculation of insurance contract liability

	Data FRW'000	Financials FRW'000	Difference
Motor	194,963	194,963	0.0%
Fire	427,253	427,258	0.0%
Marine	18,225	18,225	0.0%
Engineering	25,000	25,000	0.0%
Bond	-	-	0.0%
Other	23,709	23,709	0.0%
	689,150	689,150	0.0%

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2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

m) Provisions

General

Provisions are recognised when the Insurer 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 Insurer 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 a provision is presented in the statement of 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.

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

The estimation of future contractual cash flows in relation to reported losses is the non-life insurance business' 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. Case estimates are computed on the basis of the best information available at the time the records for the year are closed.

n) Revenue recognition

Gross premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts.
Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

n) Revenue recognition (cont'd)

Unearned reinsurance premiums

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

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.

Investment income

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

Net realised gains and losses

Net realised gains and losses recorded in the statement of profit or loss include gains and losses on financial assets and properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

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. 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. Finance cost

Interest paid is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest-bearing financial liability

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2 Significant accounting policies (cont'd)

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations

The Company has applied for the first-time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Although these new standards and amendments applied for the first time in 2021, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

Interest Rate Benchmark Reform Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendment include the following practical expedients:

- *To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest*
- *To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued*
- *To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component*

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients *in future periods if they become applicable.*

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

In 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.
The amendment applies to annual reporting periods beginning on or after 1 April 2021.
However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards issued but not yet effective

The standards and interpretations that are 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.

2 Significant accounting policies (cont'd)

2.4 Changes in accounting policy and disclosures (cont'd)

Standards issued but not yet effective (cont'd)

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The nature of the changes in accounting policies can be summarised, as follows:

Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

2 Significant accounting policies (cont'd)

2.4 Changes in accounting policy and disclosures (cont'd)

Standards issued but not yet effective (cont'd)

IFRS 17 Insurance Contracts (cont'd)

Transition (cont'd)

- Modified retrospective approach - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application

- Fair value approach - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date)

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.
Amendments to IFRS 17 In June 2020, the IASB issued amendments to IFRS 17. These amendments follow from the Exposure Draft (ED) on proposed Amendments to IFRS 17 Insurance Contracts. As a result of its re-deliberations, the IASB has made changes to the following main areas of IFRS 17:

- Deferral of the effective date of IFRS 17 and IFRS 9 for qualifying insurance entities by two years to annual reporting periods beginning on or after 1 January 2023)
- Scope of the standard
- Expected recovery of insurance acquisition cash flows from insurance contract renewals ▸ CSM relating to investment activities
- Applicability of the risk mitigation option for contracts with direct participation features
- Reinsurance contracts held - expected recovery of losses on underlying onerous contracts
- Simplified presentation of insurance contracts in the statement of financial position
- Additional transition reliefs In addition to the above changes, the amendments also include several other minor and editorial changes to IFRS 17.

Impact

IFRS 17, will result in profound changes to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity , resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected.

Below are other amendments are not expected to have a material impact on the Company and their respective effective dates with earlier adoption permitted:

- *Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual reporting periods beginning on or after 1 January 2022)*

2 Significant accounting policies (cont'd)

2.4 Changes in accounting policy and disclosures (cont'd)

Standards issued but not yet effective (cont'd)

- *Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 (effective for annual reporting periods beginning on or after 1 January 2022)*
- **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective for annual reporting periods beginning on or after 1 January 2022)**
- *IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter (effective for annual reporting periods beginning on or after 1 January 2022)*
- *IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities (effective for annual reporting periods beginning on or after 1 January 2022)*
- *AIP IAS 41 Agriculture - Taxation in fair value measurements (effective for annual reporting periods beginning on or after 1 January 2022)*
- *Definition of Accounting Estimates - Amendments to IAS 8 (effective for annual reporting periods beginning on or after 1 January 2023)*
- *Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for annual reporting periods beginning on or after 1 January 2023)*
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective for annual reporting periods beginning on or after 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (effective for annual reporting periods beginning on or after 1 January 2023)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective date postponed indefinitely)

3(a) Gross written premiums

	2021 FRW'000	2020 FRW'000
Motor	888,277	940,067
Fire	1,188,296	792,864
Engineering	282,804	341,198
Liabilities	377,704	186,675
Marine	275,542	203,149
Bonds	398,214	224,437
Other	779,305	639,145
	4,190,142	3,327,535

3(b) Unearned premium reserves

	2021			2020		
	Gross UPR FRW'000	UPR reinsurer's portion FRW'000	Net UPR FRW'000	Gross UPR FRW'000	UPR reinsurer's portion FRW'000	Net UPR FRW'000
Motor	473,404	96,883	376,521	497,875	77,714	420,161
Fire	446,167	379,392	66,775	353,037	309,961	43,076
Engineering	178,493	149,814	28,679	165,909	115,214	50,695
Liabilities	231,035	173,946	57,089	110,964	46,098	64,866
Marine	54,528	29,354	25,174	77,815	52,472	25,343
Bonds	198,425	163,705	34,720	50,233	44,227	6,006
Others	241,740	200,724	41,017	200,414	153,592	46,822
	1,823,792	1,193,818	629,975	1,456,247	799,278	656,969

Movement in Net UPR	Net UPR 2021 FRW'000	Net UPR 2020 FRW'000	Movement in Net UPR 2021 FRW'000	Net UPR 2020 FRW'000	Net UPR 2019 FRW'000	Movement in Net UPR 2020 FRW'000
Motor	376,521	420,161	(43,640)	420,161	364,231	55,930
Fire	66,775	43,076	23,699	43,076	30,315	12,761
Engineering	28,679	50,695	(22,016)	50,695	16,707	33,988
Liabilities	57,089	64,866	(7,777)	64,866	30,943	33,923
Marine	25,174	25,343	(169)	25,343	27,842	(2,499)
Bonds	34,720	6,006	28,714	6,006	13,005	(6,999)
Others	41,017	46,822	(5,805)	46,822	28,730	18,092
	629,975	656,969	26,994	656,969	511,773	145,196

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3(c) Premium ceded and commission income

	2021		2020	
	Premium ceded	Commission income	Premium ceded	Commission income
	RWF'000	RWF'000	RWF'000	RWF'000
Fire	1,030,522	294,001	689,105	190,965
Engineering	232,866	62,175	230,924	56,719
Motor	181,787	-	146,736	2,848
Liabilities	264,921	36,648	68,533	12,805
Marine	110,027	29,508	76,213	22,918
Bonds	328,162	86,075	197,564	51,928
Others	457,579	155,815	428,514	122,610
	2,605,864	664,222	1,837,589	460,793

3(d) Premium adjustment and profit commission

	2021		2020	
	Premium Adjustment RWF'000	Profit Commission RWF'000	Premium Adjustment RWF'000	Commission Profit RWF'000
Fire	6,540	11,767	13,730	21,945
Engineering	7,475	11,201	7,366	16,276
Liabilities	19,742	-	7,692	-
Marine	16,079	3,362	8,058	10,571
Bonds	-	20,148	-	28,822
Others	174,382	14,288	72,765	9,047
	224,218	60,766	109,611	86,661
	2,830,082	724,988	1,947,200	547,454

Profit Commission were received on profitable account from Reinsurers as per reinsurance treaties.

3(e)Movement in deferred reinsurance commission

	2021 RWF'000	2020 RWF'000
Fire	28,954	78,749
Engineering	8,638	26,159
Liabilities	8,120	10,832
Marine	(249)	4,585
Bonds	31,418	12,758
Others	14,027	35,985
Movement in deferred commission income (Note 24)	90,908	169,068

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The above premiums were ceded to reinsurers and co-insurer as follows:

			2021		2020	
Reinsurer Name	Credit rating	Rating Agency	Premium ceded	Commission on premium ceded	Premium ceded	Commission on premium ceded
			FRW'000	FRW'000	FRW'000	FRW'000
PTA Reinsurance Company Ltd	BBB	AM Best	936,815	205,474	757,018	227,345
Kenya Reinsurance Corporation Ltd	BB+	AM Best	14,449	3,612	26,236	6,789
Africa Reinsurance Corporation Ltd	A	AM Best	665,133	167,123	403,376	131,927
Swiss Re	A+	AM Best	100,236	23,538	90,865	30,474
Lloyds UK/Willis Limited	i)Munich re :A+, ii)Axis syndicate 1686 at Lloyd's :A, iii)BRIT Engineering Consortium 9424 at Lloyd's :A+	AM Best	326,940	52,817	12,615	631
MAPFE Asistancia	A	AM Best	160	87	2,801	1,530
Klapton	B-	Global Credit rating (GCR)	89,696	22,424	91,634	20,284
Sonarwa General Insurance Company Ltd	N/A	N/A	32,860	5,471	66,027	12,269
Continental Re	B+	Global Credit rating (GCR)	45,066	10,302	131,776	32,249
Starstone	A-	AM Best	38,715	10,987	26,893	14,100
Cica Re	B	AM Best	24,563	6,141	51,097	12,774
Waica re	B+	Global Credit rating (GCR)	89,112	22,209	30,519	6,095
NCA Re	BBB-	Global Credit rating (GCR)	23,235	6,170	6,905	2,072
Aveni Re			7,224	2,167	6,905	2,072
MUA	N/A	N/A	110,639	32,243	56,397	12,492

The above premiums were ceded to reinsurers and co-insurer as follows:

Premium ceded and commission income (Continued)

Reinsurer Name	Credit rating	Rating Agency	2021 Premium ceded	2021 Commission on premium ceded	2020 Premium ceded	2020 Commission on premium ceded
Sanlam	N/A	N/A	10,920	2,730	14,757	1,986
Radiant Insurance Company	N/A	N/A	52,356	12,739	33,182	6,990
BK General Insurance Ltd	N/A	N/A	8,297	5,567	16,984	1,770
Britam	N/A	N/A	70,517	19,961	50,181	9,878
Prime Insurance Company	N/A	N/A	69,811	20,787	39,373	8,329
UAP	N/A	N/A	48,679	16,073	24,122	3,891
Ghana Re	B+	AM Best	32,638	7,595	7,537	1,507
TAN RE	B-	Global Credit rating (GCR)	32,021	8,005	-	-
			2,830,082	664,222	1,947,200	547,454

3(f) Commission expenses and deferred acquisition cost

	2021 Frw"000" Commission expenses	2021 Frw"000" Deferred acquisition cost	2020 Frw"000" Commission expenses	2020 Frw"000" Deferred acquisition cost
Motor Policy	77,375	3,314	86,670	3,335
Fire Industrial	180,777	(28,894)	92,347	21,788
Engineering	27,181	(3,512)	34,990	(2,201)
Liabilities	32,266	(4,333)	19,437	(5,057)
Marine	32,533	(3,027)	21,697	(106)
Bonds	35,099	(16,099)	9,416	12,680
Others	73,586	(1,091)	57,517	(10,163)
	458,817	(53,642)	322,074	20,276

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The commission expenses were paid to insurance intermediaries as follows:

	2021	2020
	FRW'000	FRW'000
Alliance Insurance Brokers	114,703	113,710
Global Risk Advisors Ltd	9,184	40,231
Muzigirwa Emmanuel	(8,667)	39,730
Rwigamba Eugene	16,107	29,033
Ingabire Carine	(10,498)	30,477
Ascoma Rwanda Limited	32,330	4,877
Falcon Insurance Services Ltd	2,059	1,708
Munyurangabo Eliezer	1,883	1,900
Zamara Insurance Broker	15,953	5,660
Union Insurance Brokers	-	793
Cuzo Insurance Brokers	23,674	3,643
Uwase Catherine	16,116	5,148
Staple Brokerage Ltd	736	432
Liaison Rwanda	883	551
Alpha Z -Group Ltd	8	-
Frontier Inc Ltd	55,293	618
Equity Bank Rwanda Ltd	3,284	1,709
Virgi Kanji Manji Khetani	3,613	775
Royal Associates Insurance Brokers	4	8
Pioneer Insurance Agency Ltd	532	303
IBMS Ltd	80,842	-
Ikuzwe Agnes	15,340	-
Ingabire Joyeuse	51	38
Habunshuti Ernest	14,808	-
Zion Insurance Brokers	4	987
Rwamuhizi Felix	8,009	36,183
Amina Agency	1,162	1,823
Kalimba Jean Claude	137	341
Uwamahoro Diane	133	609
Manishimwe Marie Grace	218	144
Mukanziga Alphonsine	236	139
Muhayimana Liliane	236	92
Nsanzineza Maurice	18,285	32
Safe Insurance Broker	7	26
Mugisha Christian	15	17
Kayitare Gloire	-	8
Alpha Insurance Brokers Ltd	47	329
Umuhoza Florentine	12,780	-
Rusine Ben	12,661	-
Gatete Marcelin	10,776	-
Sekoko Elvis	4,134	-
Bank of Kigali Plc	798	-
Mugabekazi Gloria	254	-
Kanakintama Frida	213	-
Ecobank Rwanda Plc	204	-
Murebywayire Betty	131	-
Numutako Image Ltd	139	-
	458,817	322,074

		2021	2020
4	Investment income	FRW'000	FRW'000
4 (a)	Interest revenue calculated using effective interest rate method		
	Interest earned on fixed term deposits	215,352	162,510
	Interest earned on Government Bonds	63,625	44,883
		278,977	207,393
4 (b)	Other Income		
	Rental Income*	51,238	45,017
	Gain from fair value remeasurement of investment property	2,953	-
		54,191	45,017

*The rental income is from a house registered under UPI no.1/02/07/01/447, located at Kamuhire Village, Kamatamu Cell, Kacyiru Sector, Gasabo District.

Maturity analysis of lease payments	2021 FRW'000	2020 FRW'000
Within 1 year	51,238	51,238
After 1 year but no more than 5 years	-	51,238

**The lease agreement is for a period of three years starting from 01 January 2020 to 31 December 2022. For additional disclosures on the asset subject to operating lease refer to note 16.

		2021	2020
5	Finance and other income	FRW'000	FRW'000
	Insurance policy fees	27,651	24,419
	Interest earned on current accounts balances	-	5,435
	Sundry income (Non - insurance certificate fee)	2,841	-
	Bad debt recovery	-	652
	Miscellaneous Income	90	163
	Exchange gain on cash and cash equivalents	15,394	5,622
		45,976	36,291

The balance on exchange gain contains both unrealized and realized exchange gain, realised exchange gain is Frw 13,291,083 and unrealised exchange gain is Frw 2,103,205.

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		2021	2020
6	Gross claims and policyholder benefit payable		
6(a)	Gross claims paid	FRW'000	FRW'000
	Motor	270,911	166,006
	Fire	176,669	131,188
	Marine	166,644	62,000
	Engineering	4,768	22,620
	Bond	-	15,000
	Other	38,176	39,531
		657,168	436,345
6(b)	Outstanding Claims		
	Motor	40,375	93,064
	Fire	246,392	133,570
	Marine	(11,192)	24,982
	Other	36,076	(13,606)
		311,651	238,010
	Gross claims and policyholders' benefits payable	968,819	674,355
6(c)	Claims paid reinsurance recovery		
	Motor	36,197	43,719
	Fire	159,952	85,005
	Marine	111,328	21,463
	Engineering	3,924	16,382
	Others	14,471	42,369
		325,872	208,938
6(d)	Claims outstanding reinsurance recovery		
	Motor	(67,385)	45,123
	Fire	233,291	162,883
	Marine	5,829	13,318
	Engineering	2,209	3,025
	Others	5,189	(7,800)
		179,133	216,549
	Total Claims recoverable from reinsurers	505,005	425,487
6(e)	Change in claims incurred but not reported		
	Incurred but not reported	29,242	57,751
		29,242	57,751

7(a) Operating and other expenses

	2021 FRW'000	2020 FRW'000
Employee benefits (Note 8)	619,703	459,798
Advertising and promotional expenses	12,356	35,078
Bidding and Tendering	3,678	4,331
Depreciation on property and equipment (Note 8)	24,219	30,655
Amortisation charge on intangible assets	27,135	-
Telephone, water and electricity	15,547	15,142
Office tea and water expenses	816	1,020
Directors' allowances	68,376	52,500
Subscription and contribution to associations	15,507	10,000
Corporate social responsibilities	3,000	-
Supervision fees	16,638	14,066
Audit fee	31,225	33,553
Consultancy fees	43,423	64,308
Internet expenses	14,279	18,720
Fuel and lubricants	14,460	9,680
Office consumables and supplies	7,338	7,292
Training	2,569	772
Repairs and maintenance	3,413	7,627
Annual Maintenance to BIMA software	101,444	-
Penalties and fines	2,527	12
Insurance	33,751	23,829
Rates, other taxes and non-deductible duties	29,516	2,403
Other general expenses	5,267	3,137
Leave provision	5,709	(10,420)
Staff welfare expenses	1,071	1,873
Legal charge	-	5,955
Provision for premium receivable	2,548	-
Other office expenses	2,795	7,219
Parking fees	2,624	1,825
Comesa fees	9,028	12,863
Donation to non-profit organization	-	800
Depreciation on right of use asset	39,519	36,298
	1,159,481	850,336

		2021	2020
7(b)	Finance Cost	FRW'000	FRW'000
	Interest charge on lease liability	8,698	6,333
	Bank charges	5,234	5,161
		13,932	11,494
7(c)	Expected Credit Losses (ECL) on Financial Assets		
	ECL on deposit with FI (refer to note 10(b)	3,041	(249)
	ECL on government bonds(Refer to note 5)	1,778	1,004
		4,819	755
8	Employee benefits expense		
	Salaries and wages	591,973	439,602
	Contributions to the Rwanda Social Security Board	27,730	20,196
		619,703	459,798
9.	Current income tax charge	106,038	98,729
	Deferred income tax (Note 18)	(8,552)	(21,566)
	Income tax expense	97,486	77,163

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

	2021	2020
	FRW'000	FRW'000
Profit before income tax	323,815	390,672
Tax calculated at the statutory income tax rate of 30% (2020 - 30%)	93,956	117,202
Tax effect of:		
Tax effect of permanent differences	3,530	2,067
Prior year loss carried forward	-	(18,628)
Recognition of deferred tax asset derecognized in prior year	-	(23,478)
Income tax expense	97,486	77,163

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		2021 FRW'000	2020 FRW'000
10(a)	Cash and cash equivalents		
	Cash at bank	431,417	434,216
	Cash at hand	268	214
		431,685	434,430

All balances are current

		2021	2020
10(b)	Deposits placed with financial institutions		
	Deposits placed with financial institutions	3,100,375	2,305,105

Deposits placed with financial institutions are classified as current assets and are interest bearing.

The deposits movement over the year is as follows

	2021 FRW'000	2020 FRW'000
At start	2,305,105	2,056,647
Purchases/Reinvestment	4,251,601	2,685,290
Maturities	(3,515,576)	(2,449,736)
Interest earned	215,321	162,476
Interest received	(153,035)	(149,821)
Expected credit loss	(3,041)	249
At the end	3,100,375	2,305,105

Movement in expected credit loss		
Opening	7,890	8,139
Increase/(Decrease)	3,041	(249)
Closing	10,931	7,890

The loss allowance is measured at an amount equal to 12-month expected credit losses (stage 1)

		2021	2020
11	Receivables arising out of direct insurance arrangements		
	Trade receivable	384,261	369,495
	Expected credit loss	(2,548)	-
		381,713	369,495

Expected credit loss as at 31st December 2021 is Frw 2,548 (2020: Nil)
All receivables arising out of direct insurance arrangements are current and are aged as below.

Year 2021

	0 - 30 Days FRW "000"	31-60 Days FRW "000"	61-90 Days FRW "000"	120+ Days FRW "000"	Total FRW "000"
Private companies/ individuals	351,047	27,726	4,352	744	383,869
NGOs and Public institutions	392	-	-	-	392
Expected credit loss	-	-	(2,176)	(372)	(2,548)
	351,439	27,726	2,176	372	381,713

Year 2020

	0 - 30 Days FRW "000"	31-60 Days FRW "000"	61-90 Days FRW "000"	120+ Days FRW "000"	Total FRW "000"
Private companies/ individuals	179,818	39,670	149,765	-	369,253
NGOs and Public Institutions	-	-	242	-	242
Expected credit loss	-	-	-	-	-
	179,818	39,670	150,007	-	369,495

12 Deferred acquisition costs

	2021	2020
	FRW'000	FRW'000
At start of year	127,507	147,782
Expenses deferred	181,949	127,173
Net movements in the year	(128,307)	(147,449)
Charge/(credit) to profit or loss	53,642	(20,276)
At end of year	181,149	127,506

All balances are current

13 Other assets

	2021	2020
Cash paid out as guarantee	15,762	16,902
Other taxes recoverable	31,614	33,302
Brokers/agents advances	170	170
Advance to staff	3,175	100
Prepayments	19,356	15,607
	70,077	66,081

All balances are current
Cash paid out as guarantee includes:

- Rent deposit: Frw 5. 4 million
- Bid guarantee requested from commercial bank: Frw 10.36 million

14 Reinsurance assets

	2021	2020
	FRW'000	FRW'000
Unearned premium reserve reinsurance share (note 22)	1,193,817	799,278
Outstanding claims reinsurance share (note23)	370,039	217,170
Reinsurance share of IBNR (Note 23)	97,466	71,201
	1,661,322	1,087,649

15 Financial Assets at amortised cost

Government Bonds

	2021	2020
At 1 January	494,963	265,665
Additional placements	392,925	230,440
Interest earned	63,625	44,882
Interest Received	(58,092)	(42,136)
Amortization of Government Bonds at premium	(5,137)	(2,884)
Impairment allowance as per IFRS 9	(1,778)	(1,004)
At 31 December	886,506	494,963

All balances are current

16 Investment property

	2021	2020
At 1 January	540,000	261,325
Addition	58,447	278,675
Gain from fair value remeasurement	2,953	-
At 31 December	601,400	540,000

All balances are non -current

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16 Investment property (continued)

Investment property relates to house registered under UPI no.1/02/07/01/447, located at Kamuhire Village, Kamatamu Cell, Kacyiru Sector, Gasabo District.

Fair value measurement	Date of valuation	(Fair value measurement hierarchy level 3)
Investment property	13th December 2021	601,400

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	Significant unobservable Inputs	Range (weighted average) 2021
Office Building	Open Market Value	Constructed Area in square metres	6.66 - 242
		Unit Price in Rwf per square metre	20,000 - 500,000
		Original Cost of construction in Rwf per square metre	80,000 - 501,120
		Maintenance Coefficient	0.4
		Annual Depreciation	2%

The valuation of the investment property was was carried out by Eng. Twahirwa Hebert , certified Real Estate valuer of registration No. RC/IRPV /049/2010.
Valuation was based on open market value. In arriving at the valuation figures the following principles have been assumed and applied.

- A willing buyer and willing seller both of whom are fully informed about the property and not acting out of compulsion.
- That to the date of valuation, a reasonable period of time would be allowed to properly market the property taking into account the nature of the property, the state of the market and allowing sufficient time for the agreement price, terms and completion of the sale.
- That the state of the market, levels of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation
- That no account would be taken of any bid by a purchaser with special interest.

The property generated an annual rental income of Frw 51,238,000 (2020: Frw 51,238,000) and there was no direct operating expenses (including repairs and maintenance) generating rental income and that did nt generate rental income incurred in current year (2020: Nil).

The property was valued in 2021 and the fair value of the property stand at Frw 601,400,000 (2020: Rwf 598,446,908) with a gain from fair value remeasurement of Frw 2,953,092. The property was initialy bought towards the end of 2019 and as at the year ended 31 December 2020 the fair value of the property was approximately equal to it's cost.

17 Lease

	2021 FRW'000	2022 FRW'000
17(a) Right of use		
01 January	12,099	48,398
Additions	94,009	-
Amortization charge	(39,519)	(36,299)
31 December	66,589	12,099

	2021 FRW'000	2022 FRW'000
17(b)Lease Liabilities		
01 January	13,259	53,121
Additions	94,009	-
Accretion of interest	8,698	6,333
Payment of principal portion of lease liability	(39,762)	(35,609)
Payment of interest portion of lease liability	(6,512)	(10,586)
31 December	69,692	13,259

All balances are non -current

18. Deferrred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%). The movement on the deferred income tax account is as follows:

	2021 FRW'000	2020 FRW'000
Property and equipment	10,508	12,048
Provisions	19,610	9,518
Accumulated tax losses	-	-
Other temporary difference	-	-
Deferred income tax not recognized	-	-
	30,118	21,566

Deferred income tax assets and liabilities and deferred income tax charge in the income statement is attributable to the following items:

Year ended 31 December 2021	January 2021 FRW '000	Credit to P&L FRW '000	Charge to OCI FRW '000	December 2021 FRW '000
Property and equipment	12,048	(1,540)	-	10,508
Provisions	9,518	10,092	-	19,610
Deferred income tax not recognized	-	-	-	-
Net deferred tax asset	21,566	8,552	-	30,118

Year ended 31 December 2020	January 2020 FRW '000	Charge to to P&L FRW '000	Charge to OCI FRW '000	December 2020 FRW '000
Property and equipment	-	12,048	-	12,048
Provisions	-	9,518	-	9,518
Tax losses	-	-	-	-
Deferred income tax not recognized	-	-	-	-
Net deferred tax asset	-	21,566	-	21,566

Deferred tax assets are all non - current

19 Intangible assets

	2021 FRW'000	2020 FRW'000
Cost:		
At start of year	234,217	152,768
Additions	37,131	81,449
Cost at end of year	271,348	234,217
Accumulated amortization:		
At start of year	-	-
Amortization charge	27,135	-
Impairment charge	-	-
At end of year	27,135	234,217
Net book value at end of year	244,213	234,217

All are non - current

20 Motor vehicle and equipment

2021

	Motor Vehicle	Office Equipment	Computer Equipment	Partitioning	Furniture & Fittings	Total
Cost	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
As at 1 January 2021	48,992	9,002	23,492	5,076	12,568	99,130
Additions	-	3,153	17,490	-	890	21,533
Fully depreciated	(36,700)	(1,851)	(6,698)	(4,999)	(7,823)	(58,071)
As at 31 December 2021	12,292	10,304	34,284	77	5,635	62,592
Accumulated Depreciation						
As at 1 January 2021	39,246	5,769	15,095	5,057	10,125	75,292
Charge for the year	3,073	2,576	17,142	19	1,409	24,219
Fully depreciated	(36,700)	(1,851)	(6,698)	(4,999)	(7,823)	(58,071)
As at 31 December 2021	5,619	6,494	25,539	77	3,711	41,440
Net book Value	6,673	3,810	8,745	-	1,924	21,152

2020

	Motor Vehicle	Office Equipment	Computer Equipment	Partitioning	Furniture & Fittings	Total
Cost	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
As at 1 January 2020	48,992	15,337	9,068	23,633	11,525	108,555
Additions	-	2,740	16,794	-	1,528	21,062
Disposal	-	(9,075)	(2,370)	(18,557)	(485)	(30,487)
As at 31 December 2020	48,992	9,002	23,492	5,076	12,568	99,130
Accumulated Depreciation						
As at 1 January 2020	26,998	12,594	5,719	22,344	7,468	75,123
Charge for the year	12,248	2,250	11,746	1,270	3,141	30,655
Disposal	-	(9,075)	(2,370)	(18,557)	(485)	(30,487)
As at 31 December 2020	39,246	5,769	15,095	5,057	10,124	75,291
Net book Value	9,746	3,233	8,397	19	2,444	23,839

All motor vehicle and equipment are non-current

21 Insurance contract liabilities

	2021 FRW'000	2020 FRW'000
Unearned premiums reserve (N 22)	1,823,377	1,456,247
Incurred and Reported Claims (N 23)	689,149	377,498
Claims incurred but not reported (IBNR) (N 23)	114,376	123,799
	2,626,902	1,957,544

The balances are all current.

22 Unearned premiums

Unearned premiums represent the liability for short term business contracts where the Company's obligations have not expired at the year end. Movements in the reserve are shown below:

	2021 FRW'000	2020 FRW'000
At start of year - Gross	1,456,247	1,363,084
At start of year - Net	656,969	511,772
Gross UPR	1,823,377	1,456,247
UPR reinsurer's portion	(1,193,402)	(799,278)
Net change	629,974	656,969
At end of year - Gross	1,823,377	1,456,247
At end of year - Net	629,974	656,969

The balances are all current

22 Unearned premium(cont')

	2021			2020		
	Gross UPR FRW'000	UPR reinsurer's portion FRW'000	Net UPR FRW'000	Gross UPR FRW'000	UPR reinsurer's portion FRW'000	Net UPR FRW'000
Motor	473,404	96,883	376,521	497,875	77,714	420,161
Fire	446,167	379,392	66,775	353,037	309,961	43,076
Engineering	178,493	149,814	28,679	165,909	115,214	50,695
Liabilities	231,035	173,946	57,089	110,964	46,098	64,866
Marine	54,528	29,354	25,174	77,815	52,472	25,343
Bonds	198,010	163,290	34,720	50,233	44,227	6,006
Others	241,740	200,724	41,016	200,414	153,592	46,822
	1,823,377	1,193,402	629,974	1,456,247	799,278	656,969

The balances are all current

23 Notified claims and IBNR

Notified claims	689,149	377,498
Claims incurred but not reported (IBNR)	153,041	123,799
	842,190	501,297

Gross claims liability

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. - Actuarial IBNR reserves for all classes of business was adopted except the bonds class , which did not have any claims experience in 2021.

23 Notified claims and IBNR (continued)

Movement in notified claims and IBNR

	2021			2020		
	Gross FRW'000	Reinsurance FRW'000	Net FRW'000	Gross FRW'000	Reinsurance FRW'000	Net FRW'000
Notified Claims	377,498	(217,170)	160,328	138,988	(60,030)	78,958
Incurred but not reported	123,799	(71,201)	52,598	66,048	(11,792)	54,256
Total at start of year	501,297	(288,371)	212,926	205,036	(71,822)	133,214
Claims paid in the year	(657,168)	325,872	(331,296)	(436,345)	208,938	(227,407)
Increase in liabilities:						-
Arising from current years' claims	1,346,317	(695,911)	650,406	813,843	(426,108)	387,735
Total at end of year	689,149	(370,039)	319,110	377,498	(217,170)	160,328
Incurred but not reported	153,041	(97,466)	55,575	123,799	(71,201)	52,598
Total at end of year	842,190	(467,505)	374,685	501,297	(288,371)	212,926

24 Deferred commission income

	2021 FRW'000	2020 FRW'000
At 1 January	169,068	-
Commission deferred	257,971	169,068
Commission released	(167,064)	-
Movement in deferred commission income	90,908	169,068
At 31 December	259,975	169,068

The balances are all current.

25 Other payables

	2021 FRW'000	2020 FRW'000
Trade payables	24,405	35,917
CIT payable, VAT and WHT payable	102,431	135,056
Accrued expenses	39,159	36,221
Other payables	30,746	17,417
Commissions and other payables to brokers	245,781	92,453
Due to Mayfair Kenya Limited (Note 26)	24,835	24,835
Prepaid rental income	16,063	-
	483,420	413,559

All balances are current.

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26 Creditors arising from reinsurance arrangements

	2021 FRW'000	2020 FRW'000
At 1 January	674,134	763,587
Premium ceded	2,830,082	1,947,200
Reinsurance and profit commission	(724,988)	(374,132)
Claims recovery	(311,651)	(238,010)
Payment to reinsurer	(1,499,667)	(1,424,511)
At 31 December	967,910	674,134
All balances are current		

27 Share capital

Details	Number of shares outstanding	Ordinary shares (FRW'000)	Total (FRW '000)
At 1 Jan 2020	204,117	2,041,175	2,041,175
Capital contribution	37,718	377,180	377,180
At 31 December 2020	241,835	2,418,355	2,418,355
At 1 January 2021	241,835	2,418,355	2,418,355
Capital contribution	52,191	521,911	521,911
Capitalization of retained earning	7,103	71,030	71,030
At 31 December 2021	301,130	3,011,296	3,011,296

The total authorized number of ordinary shares is 301,130 (2020: 241,835), with a par value of FRW 10,000 share (2020: FRW 10,000 per share). All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights.
On 2nd December 2021, shareholders resolved to capitalize retained earning into share capital and retained earning equivalent to 7,103 share was converted into shares .

28 Contingent liabilities and capital commitments

There was not commitment and or contingent liabilities at the end of the year 2021.

29 Related party transactions

The ultimate controlling party and immediate parent of the Company is Mayfair Insurance Company Ltd, incorporated in Kenya. There are other companies/individuals that are related to Mayfair insurance Company Rwanda limited through common directorships and shareholding.
List of related parties and their relationship
Mayfair Kenya
Andrea Ltd
Gorajja Ravindra Hargovind
Amb Benjamin Rugangazi
Anjay Vithalbbai patel
Vishal Rajinderkumar patel
Daniel Mugisha Muhimuzi
The following transactions were carried out with related parties:

	2021 FRW'000	2020 FRW'000
(a) Directors remuneration		
Directors' fees and allowances	68,376	52,500

(b)	Key management remuneration		
	Salaries and wages	340,614	265,172
(c)	Transactions with related parties		
	Premiums paid	2,708	1,640
	Premiums received on short term insurance policies	734	827
(d)	Due to related parties		
	Mayfair Insurance Company (Kenya) Limited	24,835	24,835

(e) Capital contributions in the year are disclosed in the statement of changes in Equity.

30 Management of insurance and financial risk

The Company's activities expose it to a variety of risks, including insurance risk, financial risk (credit risk, market risk and liquidity risk) and the effects of changes in property values. The Company's overall risk management program focuses on the identification and management of risks and seeks to minimize 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 maximize return within an acceptable level of interest rate risk. This section summarizes the way the Company manages key risks:

Sensitivities analysis
The insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.
The following analysis is performed reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect on determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.
It should be noted that the movements in these assumptions are non-linear.

31 December 2021	Change in assumptions	Impact on gross liabilities Frw '000'	Impact on net liabilities Frw '000'
Average claim cost	+5%	723,607	355,066

(a) Insurance risk

The Company issues contracts that transfer 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.
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.

Claims are payable on claims occurrence basis.
The company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR).

For certain contracts, the company has limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year. The company also has

30 Management of insurance and financial risk (continued)

(a) Insurance risk (continued)

the right to re-price the risk at renewal. It also has the ability to impose deductibles and reject fraudulent claims.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.
The Company reinsurance placement policy assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

30 Management of insurance and financial risk

Claim development

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021
At end of underwriting year	64,349,859	364,571,891	477,770,610	619,707,894	722,205,445
One year later	87,384,849	503,667,000	600,564,386	825,541,319	
Two year later	104,231,358	542,340,137	634,700,442		
Three year later	138,453,984	548,799,202			
Four year later	139,287,484				
Cumulative claims	139,287,484	548,799,202	634,700,442	825,541,319	722,205,445
Cumulative payment	(139,070,984)	(544,468,994)	608,989,769)	(584,890,107)	(303,964,897)
Outstanding	216,500	4,330,208	25,710,673	240,651,212	418,240,548

b) Reinsurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under excess of loss reinsurance contracts. To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristic of the reinsurers. Reinsurance contracts do not relieve the Company from its obligations to cedants and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

The quantitative analysis of the reinsurance risk is as follow:

Premiums

	Premium ceded	Commission income	Net
	RWF'000	RWF'000	RWF'000
Fire	1,030,522	294,001	736,521
Engineering	232,866	62,175	170,692
Motor	181,787	-	181,787
Liabilities	264,921	36,648	228,273
Marine	110,027	29,508	80,519
Bonds	328,162	86,075	242,087
Others	457,579	155,815	301,764
	2,605,864	664,222	1,941,643

30 Management of insurance and financial risk (continued)

Insurance risk (continued)

Claims

Product	Claims paid	Outstanding claims	Reinsurer's share in paid and payable claims
	Frw'000'	Frw '000'	Frw'000'
Motor	270,911	194,963	60,388
Fire	176,669	427,253	496,726
Marine	166,644	18,225	111,328
Engineering	4,768	25,000	12,997
Bond	-	-	-
Other	38,176	23,709	14,471
	657,168	689,150	695,910

Year 2021		FRW 250m-FRW 1000m	Above FRW 1000m	Total
		FRW 000	FRW 000	FRW 000
Motor	Gross	12,445,622		12,445,622
	Net	12,445,622		12,445,622
Fire	Gross	-	1,191,557,222	1,191,557,222
	Net	-	148,867,133	148,867,133
Engineering	Gross	166,426,735		166,426,735
	Net	21,609,320		21,609,320
Liabilities	Gross	44,494,383		44,494,383
	Net	19,628,813		19,628,813
	Gross	115,685,097		115,685,097
Marine	Net	68,096,707		68,096,707
Bonds	Gross	20,301,313		20,301,313
	Net	3,025,322		3,025,322
Other	Gross	97,581,605		97,581,605
	Net	23,085,812		23,085,812
Total	Gross	456,934,755	1,191,557,222	1,648,491,977
	Net	147,891,595	148,867,133	296,758,728

(b) Financial risk

The company's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the company does not hedge any risks.

The Company manages financial risks through policies approved by the Board of Directors (BOD) which is mandated to achieve long-term investment returns in excess of the Company's obligations under insurance contracts. The principal technique is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of business, a separate portfolio of assets is maintained

30 Management of insurance and financial risk (continued)
Market risk
Foreign exchange risk

The Company carries out cross-border business transactions, which exposes it to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The Company does not deem this exposure as being significant and manages it through holding USD denominated bank accounts and immediate settlement.

As at the year ended 31 December 2021, the company had the following assets denominated in foreign currencies:

Description	31 December 2021	31 December 2020
	USD	USD
Bank balance	216,918	268,200
Creditors balance	107,963	123,500

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities.

It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables did not change from the previous period.

Currency	31 December 2021			31 December 2020	
	Change in variables	Impact on profit before tax Rwf'000	Impact on equity Rwf'000	Impact on profit before tax Rwf'000	Impact on equity Rwf'000
	+5	5,500	3,850	6,723	4,706
USD	-5	(5,500)	(3,850)	6,723	(4,706)

(i) Credit risk

The Company had exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Company is exposed to credit risk is only receivables arising out of direct insurance arrangements;

Other areas where credit risk arises include cash and cash equivalents, and deposits with banks and other receivables. The Company has no significant concentrations of credit risk. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or 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.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract

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

30 Management of insurance and financial risk (continued)

(b) Financial risk (continued)

Credit risk (cont'd)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021	2020
	FRW'000	FRW'000
Receivables arising out of direct insurance arrangements	381,713	369,495
Reinsurance assets (Note 14)	1,661,322	1,087,649
Other assets (Note 13)	19,107	17,172
Deposits with financial institutions	3,100,375	2,305,105
Cash at bank	431,417	434,216
	5,593,934	4,196,465

No collateral is held for any of the above assets. All receivables that are neither past due nor 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 Receivables arising out of direct insurance arrangements (which are due on inception of insurance cover):

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables arising out of direct insurance arrangements. The expected loss rates are based on the payment profiles of premiums over a period of 24 months from 1 January and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Receivables arising out of direct insurance arrangements

	2021	2020
	FRW '000	FRW '000
Neither past due nor impaired	351,439	179,819
Past due but not impaired	30,274	189,677
Impaired	2,548	-
Gross	384,261	369,496
Less: Impairment Allowance	(2,548)	-
Net	381,713	369,496

The movement in Impairment Allowances attributed to the increase receivables arising from direct insurance assets mainly attributed to the BNR guidelines that allowed admissibility of receivables of not more that 60 days in the solvency computation until end of March 2022 in response a resuscitation stimulus package for the insurance sector (post Covid 19) proposal by the ASSAR.

The gross carrying amount increased consistent with growth in premiums for the risks underwritten during the year.

Impairment Allowance

	2021	2020
	Rwf'000'	Rwf'000'
As at January	-	-
Impairment allowance for the year	2,548	-
As at 31 December	2,548	-

The expected credit losses for the period ended 31 December 2020 was not reported on the basis of materiality.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

30 Management of Insurance of Financial Risk (continued)

Credit risk (continued)
Financial assets Classification

2021	Measurement category IAS 39/ IFRS 9	Carrying amount IAS 39	IFRS 9
Cash and cash equivalents	Amortised cost	-	431,685
Deposits placed with financial institutions	Amortised cost	-	3,986,882
Receivables arising out of direct insurance arrangements	Loans and Receivables	381,713	-
Deferred acquisition costs	Loans and Receivables	181,149	-
Other assets	Amortised cost	-	19,107
Reinsurance asset	Loans and Receivables	1,661,322	-

2020	Measurement category IAS 39/ IFRS 9	Carrying amount IAS 39	IFRS 9
Cash and cash equivalents	Amortised cost	-	434,430
Deposits placed with financial institutions	Amortised cost	-	2,800,68
Receivables arising out of direct insurance arrangements	Loans and Receivables	369,495	-
Deferred acquisition costs	Loans and Receivables	127,507	-
Other assets	Amortised cost	-	17,171
Reinsurance asset	Loans and Receivables	1,087,650	-

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its daily cash flow requirements and optimizes its cash return on investments by immediately investing any excess cash on hand. Typically the Company ensures that it has sufficient cash on demand to s expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disaster.

The table below presents the undiscounted cash flows payable by the Company at the balance sheet date

	0 - 3 months	3- 12months	After one year	TOTAL
At 31 December 2021:	FRW'000	FRW'000	FRW'000	FRW '000
Insurance contract liabilities	842,191	-	-	842,191
Unearned premium reserves	1,823,792	-	-	1,823,792
Creditors arising from reinsurance arrangements	-	967,910		967,910
Lease liability	14,073	42,218	23,454	79,745
Other payables	353,287	-	-	353,287
	3,033,343	1,010,128	23,454	4,066,925

	0 - 3 months	3-12 months	TOTAL
At 31 December 2020:	FRW'000	FRW'000	FRW '000
Insurance contract liabilities	501,297	-	501,297
Unearned premium reserves	156,590	1,299,728	1,456,318
Creditors arising from reinsurance arrangements	-	674,134	674,134
Lease liability	11,246	3,749	14,995
Other payables	201,062	-	201,062
	870,195	1,977,611	2,847,806

Management of Insurance of Financial Risk (continued)

(d) Capital management and going concern

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

To comply with the capital and regulatory solvency requirements as set out in Regulation No. 2310/2018 on licensing requirements and other requirements for carrying out insurance business and the related regulations and directives (together "insurance regulations");

To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to its policyholders; and

To price insurance and investment contracts commensurately with the level of risk.

Insurance regulations require each insurance Company to hold the minimum level of paid up capital as follows:

General insurance business companies FRW 3,000 million and General insurance businesses are required to maintain a solvency margin (admitted assets less admitted liabilities) equivalent to the higher of FRW 500million or 20% of the net premium income during the preceding financial year.

Capital adequacy and solvency margin are monitored regularly by the Board of Directors. The required information is filed with the National Bank of Rwanda on a monthly basis.

The directors have assessed the impact of COVID 19 and are of the view that the pandemic will have a small impact on its profitability, but it won't have an impact on the company's going concern, due to:

- The entity has a solvency buffer of 153.95% above the regulatory minimum as at 31 December 2021.
- The entity has a liquid asset of Frw 3.1billion which management is of the view is sufficient to meet claims cover, in addition the budgeted premium for March 2022 was been surpassed by 9%.
- Insurance company have been classified among company that offer essential service that give us the possibility of still working even in period of total lockdown.

The Company's paid up Capital at the end of 2021and 2020 are presented on note 27. The table below summarizes the solvency margin of the Company at 31 December 2021 and 2020.

	2021	2020
	FRW 000	FRW 000
Admitted assets (Refer to appendix 3)	5,979,009	4,421,576
Admitted liabilities (Refer to appendix 3)	(4,705,271)	(3,423,319)
Solvency margin	1,269,737	998,257
Required margin	500,000	500,000
Excess	769,737	498,257
	253.95%	199.7%

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Appendices

Appendix (i) - Liquidity Ratio 2021

Current assets & liabilities

Current Assets	2021 FRW '000	Current Liabilities	2021 FRW '000
Cash paid as security	15,762	Outstanding claims	689,149
Other assets	170	Unearned Premium Reserve	1,823,792
Trade debtors	381,713	Tax payable	24,405
Fixed deposit	3,100,375	Other liabilities	164,031
Prepayments	19,356	Reinsurance liabilities	967,910
Cash and bank balances	431,685	Commission payable	245,781
Deferred acquisition costs	181,149	Due to Related party	24,835
Withholding tax receivable	31,613	Incurred but not reported claims	153,041
Reinsurance asset	1,661,322	Deferred commission	259,975
	5,823,145		4,352,919
Liquidity ratio	134%		

Appendix (i) - Liquidity Ratio 2020

Current assets & liabilities

Current Assets	2020 FRW '000	Current Liabilities	2020 FRW '000
Cash paid as security	16,902	Outstanding claims	377,498
Other assets	170	Unearned Premium Reserve	1,456,247
Trade debtors	369,495	Tax payable	35,917
Fixed deposit	2,305,105	Other liabilities	188,694
Prepayments	15,607	Reinsurance liabilities	674,134
Cash and bank balances	434,430	Commission payable	164,113
Deferred acquisition costs	127,507	Due to Related party	24,835
Withholding tax receivable	33,302	Incurred but not reported claims	123,799
Reinsurance asset	1,087,650	Deferred commission	169,068
	4,390,168		3,214,305
Liquidity ratio	137%		

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'FAIR INSURANCE COMPANY RWANDA LIMITED
PLEMENTARY INFORMATION
THE YEAR ENDED 31 DECEMBER 2021

ɘndix 2 - Revenue account (31 Dec 2021)

	Motor	Fire	Engineering	Liabilities	Marine	Bonds	Others	Total 2020
	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
;s premium written	888,277	1,188,296	282,804	377,704	275,542	398,214	779,304	4,190,142
:: Ceded Premium	(181,787)	(1,037,062)	(240,341)	(284,664)	(126,106)	(328,162)	(631,961)	(2,830,082)
premium written	706,491	151,234	42,462	93,040	149,437	70,052	147,344	1,360,060
'ease or Increase in UPR	43,640	(23,699)	22,016	7,777	170	(28,714)	5,805	26,994
ɘarned premium	750,131	127,535	64,478	100,817	149,607	41,338	153,149	1,387,054
mission Income	-	305,767	73,375	36,648	32,871	106,223	170,104	724,988
ɘment in deferred commission	-	(28,954)	(8,638)	(8,120)	249	(31,418)	(14,026)	(90,908)
inistration and other fees	16,829	5,595	430	446	440	2,530	1,381	27,651
ncome	766,959	409,943	129,645	129,792	183,166	118,672	310,608	2,048,785
s claims paid	270,911	176,669	4,768	13,855	166,644	-	24,321	657,168
surance/co-insurance cover	31,189	(393,244)	(6,133)	(3,692)	(117,158)	2,025	(17,992)	(505,005)
ns outstanding, start of year	(154,587)	(180,861)	(10,000)	(2,103)	(29,417)	-	(530)	(377,498)
ns outstanding, End of year	194,963	427,253	25,000	10,786	18,225	-	12,923	689,149
ment in IBNR	(9,562)	27,044	1,139	8,795	7,781	-	(5,956)	29,242
nsurance claims incurred	332,913	56,862	14,774	27,640	46,076	2,025	12,766	493,057
nses								
isition cost	77,375	180,777	27,181	32,266	32,533	35,099	73,586	458,817
·red Acquisition Cost	3,314	(28,894)	(3,512)	(4,333)	(3,027)	(16,099)	(1,092)	(53,642)
nses of management	428,857	213,047	84,621	72,068	104,127	92,777	182,735	1,178,232
Expenses	509,546	364,931	108,290	100,001	133,633	111,777	255,229	1,583,407
rwriting profit /(Loss)	(75,500)	(11,849)	6,580	2,151	3,456	4,870	42,613	(27,678)

'FAIR INSURANCE COMPANY RWANDA LIMITED
PLEMENTARY INFORMATION
THE YEAR ENDED 31 DECEMBER 2020

	Motor	Fire	Engineering	Liabilities	Marine	Bonds	Others	Total 2020
	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
ss premium written	940,067	792,864	341,198	186,675	203,149	224,437	639,144	3,327,535
:: Ceded Premium	(146,736)	(702,835)	(238,290)	(76,225)	(84,271)	(197,564)	(501,278)	(1,947,200)
premium written	793,331	90,029	102,908	110,450	118,878	26,873	137,866	1,380,335
'ease or Increase in UPR	(55,930)	(12,761)	(33,988)	(33,923)	2,498	6,999	(18,092)	(145,196)
earned premium	737,401	77,268	68,920	76,527	121,376	33,872	119,774	1,235,139
ımission Income	2,848	212,910	72,995	12,805	33,489	80,750	131,658	547,454
ement in deferred commission	-	(78,749)	(26,159)	(10,832)	(4,585)	(12,758)	(35,984)	(169,068)
ıinistration and other fees	15,832	3,218	765	595	809	2,035	1,165	24,419
income	756,080	214,647	116,520	79,096	151,089	103,899	216,613	1,637,944
ıs claims paid	166,006	131,188	22,620	17,793	62,000	15,000	21,738	436,345
surance/co-insurance cover	(88,842)	(248,389)	(19,407)	(8,787)	(34,781)	2,070	(27,852)	(425,987)
ns outstanding, start of year	(61,024)	(47,291)	(504)	(9,160)	(4,435)	(15,000)	(1,575)	(138,988)
ns outstanding, End of year	154,587	180,861	10,000	2,103	29,417	-	530	377,498
ement in IBNR	22,335	37,287	(17,018)	315	10,109	(4,962)	9,684	57,751
nsurance claims incurred	193,063	53,657	(4,310)	2,264	62,310	(2,891)	2,526	306,619
'nses	-	-	-	-	-	-	-	
ıisition cost	86,670	92,347	34,990	19,437	21,697	9,416	57,516	322,074
rred Acquisition Cost	3,335	21,788	(2,201)	(5,057)	(106)	12,680	(10,162)	20,276
'nses of management	457,148	109,933	54,492	41,365	59,622	75,393	64,633	862,585
l Expenses	547,153	224,069	87,281	55,744	81,212	97,490	111,987	1,204,935
ırwriting profit /(Loss)	15,864	(63,079)	33,550	21,088	7,567	9,300	102,100	126,390

endix (iii) - Calculation of solvency margin

uired Solvency Margin	Amount (in'000' FRWs)
ross premium less reinsurance ceded last preceding year	1,380,335
olvency Margin Required: 20% of I.1 or FRW 500 million whichever is greater	500,000
ıpliance with Solvency Margin	
otal Assets	7,676,299
ess: Non-Admitted Assets as per II.A.7	505,688
ess: Deductions for assets subject to maximum admissible % as per II. B.5	1,195,602
dmitted Assets I.3 less I.4 and I.5	5,975,009
ess Admitted Liabilities as per III. C.3	4,705,271
olvency Margin Available (I.6 less I.7)	1,269,737
xcess or Deficiency of solvency required (I. 8 less I. 2)	769,737
Solvency Coverage Ratio (I.8 divided by I. 2)	253.95%

Non-Admitted Assets

TICULARS	Amount (in'000' FRWs)
tangible assets	244,213
posures (Loans & Investments) to connected persons	3,175
›ans to insurance intermediaries overdue for more than 6 months	-
einsurance receivable overdue for more than 6 months	-
›ans and other receivables overdue for more than 6 months	-
eferred expenses, deferred taxes and prepayments	258,300
›tal Non-Admitted Assets (add II.A.1 to 6)	505,688

endix (iii) - Calculation of solvency margin (continued)

Deductions for Assets Subject to Maximum Admissible Percentages

TICULARS	Amount (in '000') "A"	Maximum admissible % "B"	Deductions "A-(A*B)"
ivestment in equities-listed	-	90%	-
vestment in equities-unlisted	-	70%	-
ivestments in debt securities	-	70%	-
ivestments in properties	601,400	80%	120,280
eivables from reinsurers which are not overdue	-	90%	
) All other assets (Total assets less II.A.7 and II.B.A 1,2,3)	6,562,228		
:			
(-) Cash	515		
(-) Deposit Balances	3,527,672		1,073,767
(-) Government securities	886,506		
All other assets subject to maximum %	**2,147,534**	50%	
otal Deductions (add II.B 1,2,3 and 4b)			1,194,047

Admitted Liabilities

TICULARS	Amount on B/Sheet "A"	Additional percentage factor "B"	Admitted liabilities "A + A * B"
chnical Provisions	2,665,982	10%	2,932,581
arned premium	1,823,791	10%	2,006,171
xpired risk	-	10%	-
standing claims	689,149	10%	758,064
R	153,041	10%	168,346
l other liabilities (Total liabilities less Technical Provisions)	1,772,691	0%	1,772,691
tal Admitted Liabilities			4,705,271